THE NEED FOR OLD AGE PENSIONS

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F O R E W O R D

This is confined to the United States and pertains more particularly to social rather than industrial pensions. It attempts to present only the actual facts and conditions, relating to the dependent aged in this country. There is a growing consciousness that social action is as inevitable for the United States as it was in most countries abroad. It is enough to mention the many state commissions investigating the problem recently, the number of industrial concerns grappling with it, the numerous resolutions adopted by fraternal orders and trade unions endorsing government legislation with regard to the aged.

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INTRODUCTION

Practically all of the advanced nations of the world have adopted, within the past thirty-five years, some modern measure to relieve the suffering of the aged. Only the United States, the richest and most prosperous, the most productive and most industrially developed of all nations, has been slow in this world-wide undertaking.

We share with the rest of the world two distinct social tendencies: one is the prolongation of life so that the number of people over sixty-five years of age has relatively increased, and the other is the tendency to use younger people, thus shortening the earning period of a man's life.

While the standard of wages in this country is high as compared with other industrial countries, still the high standards of living in this country and the high scale of American prices makes it very difficult for a workman to save for his old age. To this must be added that there are many individual cases where accident, sickness, periods of unemployment, and unwise investments have brought men to old age penniless.

That we are beginning to recognize the necessity of collective action is evident from the growing movement of old age security throughout the United States. At the present time, seventeen states -- California, Colorado, Delaware, Idaho, Kentucky, Maryland, Massachusetts, Minnesota, Montana,

Nevada, New Hampshire, New Jersey, New York, Utah, West Virginia, Wisconsin, Wyoming -- and the Territory of Alaska have pension laws on their statute books. Of the seventeen old age security laws now on the statute books, only those of Kentucky, Nevada and West Virginia will remain inoperative for a while.

PART I

THE NEED FOR
OLD AGE PENSIONS

CHAPTER I

THE PROBLEM OF OLD AGE SECURITY

The problem of old age security is of comparatively recent origin. It has come about largely as a result of the rapid development of modern machinery. The wage-earner's life, especially in old age, has become completely insecure. The established relationship of age and youth has undergone a rapid change in the United States. The economic foothold of the aged is rapidly slipping away from them. As the dead-line of employment is being constantly reduced, the steadily growing army of superannuated and middle-aged men and women who are faced with dependency in old age constitutes a supreme challenge to the American Nation.

Pre-Industrial Reverence for Old Age

Before the industrial revolution, old age brought a certain feeling of satisfaction and accomplishment. The elders reigned supreme over the tribe or clan and their superiority continued beyond their productive years. Under the feudal system the lord was expected to take care of his serfs in their old age. During the time of the Guilds, the artesian or laborer continued at work as long as he could produce anything. Even in the early stages of the industrial development, the labor contract was usually life-long, and the employer generally took a personal interest in the welfare of his

workers. In agriculture, men and women are still useful in their old age. The same is true of persons in small businesses, in politics, art and science where men and women even today often continue to supply the traditional leadership. Under these conditions, men and women do not look with dread at approaching old age, and there is little necessity for provision against it.

The Changed Conditions

A very different situation prevails today. From an agricultural nation, the United States, in the course of a generation, has become one of the most highly developed industrial countries in the world. From 17,392,099 gainfully employed persons in 1880, we have grown to 41,614,248 in 1920, an increase of 24,222,149, or 139 per cent in forty years.

Today the majority of our population lives in the cities. People are more and more depending on their daily jobs for their daily bread. Many of the small individually owned businesses are being replaced by chain controlled establishments. Even the heads of concerns like the United States Steel Corporation or the American Telephone and Telegraph Company no longer work for themselves, but are paid employees of their corporations.

Facing Old Age Today

In our present industrial establishments, production

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is so standardized that each individual performs only two or three operations in the whole complicated business of producing the finished article. Standardized production not only eliminates the need for skill and experience -- the very assets of the old employee -- but demands a swifter pace which produces greater strain and tends to wear out workmen more rapidly than ever before. As a result, the period during which an industrial worker can be profitably employed is constantly growing shorter. The difficulty of finding a job after passing the prime of life has become proverbial.

The workers in the factory system have no stake in the industry. The employer is not bound legally for his protection and ordinarily does not feel under obligation to support his workers during their declining years of inactivity.

The Aged Affected Adversely By Industrial Progress

The problem facing the aged today is a result of the elimination of large numbers of workers as soon as they are unable to keep up fully with the demands of modern methods of production. The introduction of new inventions and more specialized machinery always involves the replacing of men, which, to the older workers, means plain destitution.

Another factor is the very attempt made by American industry to solve the problem of its superannuated workers. Industrial pension plans have been adopted during the last

eighteen years in order to induce younger employees to remain until their old age with the same corporation. These schemes generally provide for the retirement of employees who, at the ages of 65 or 70, have been with the firm continuously for from 20 to 30 years. So far American concerns have refused to recognize any obligation on their parts towards the old age of workers who have not been with them the required time. Experience has also taught even the most cold-blooded corporations that to discard an old employee ruthlessly, without any provisions for his declining years, is not only injurious to the morale of the plant but is a dangerous course of procedure for industry as a whole. At the same time, old and incapacitated employees represent not only "drags" upon production but undermine the spirit of efficiency in an industrial establishment. The easiest way out is to entirely deny employment to any one who may possibly become old and incapacitated before the passing of the necessary number of years which would entitle him to retire under their pension plan. Corporations which have no pension plan make equally good use of this method in order to avoid the entire problem.

Indeed, once the difficulties faced in old age by the majority of workers are realized, one cannot but wonder whether the fact that the expectation of life has greatly improved in the United States and that the increase in the number of persons 65 years of age and over has been a desirable thing and is considered much of a blessing by the aged poor.

CHAPTER II

INDUSTRY AND WORN-OUT WORKERS

Age 65 is generally set as the threshold of old age since it is the period of life that the rates for sickness and death begin to show a marked increase over those of earlier years.

Human depreciation as measured by sickness is more pronounced in the case of the aged poor and very poor than in any other economic group. The sick rates are substantially higher for the poor man than for the comfortably situated from 20 years of age on, and there is a very marked difference at the age of 65. These facts would indicate that the average retirement age for those who have lived their lives in the lowest economic groups may be somewhat lower than for the more fortunate classes.

In this connection it is significant to note that there is a clear distinction between the expectancy of life of those engaged in industry and those engaged in other forms of employment such as agriculture, commerce, the professions, etc. Occupational statistics indicate this clearly. "In 1920, for example, of the 100,000 machinists at work in the state of New York, only 1900, or 1.8 per cent were over 65. Of the 370,000 doing the heavy work of the railways and transportation, only 8800, or 2.7 per cent were over 65. But in farming, over 14 per cent were 65; among lawyers, 6 per cent; and among the clergy, 10 per cent." [1]

[1] Report of New York State Commission on Old Age Security, p. 80.

Magnitude of the Problem

We do not ordinarily realize how much and in how many different ways the number and composition of our population determine the activity and the character of our nation. We are in the habit of taking the age distribution of our nation for granted, as if it were fixed by natural law. Yet, the proportion of persons at the various ages of life is a variable phenomenon.

Nowhere in the civilized world are such marked changes taking place. The census of April, 1930 showed a total population of close to 123,000,000. We had increased by 17,000,000 during the last 10 years which was at the rate of 1.6 per cent per annum. At this rate, our population would double in 43 years. But according to a study made by Dr. Louis I. Dublin, "This rate of increase cannot continue. We shall approach, at continually diminishing speed, a state in which the number of our people will be practically constant." [1]

In 1850, 52.5 per cent of the population was under 20 years of age. By 1920, the proportion had declined to 40.7 per cent. It is estimated that in 1950 this proportion will be only 32.7 per cent. In the year 1850, the percentage of the population between the ages of 20 and 50 was 38.6 per cent. By 1920 the proportion had increased to 43.9 per cent. [2]

The most significant change has occurred among those

[1] Our Ageing Population, Louis I. Dublin, New York Times, January 4, 1931.

[2] Ibid.

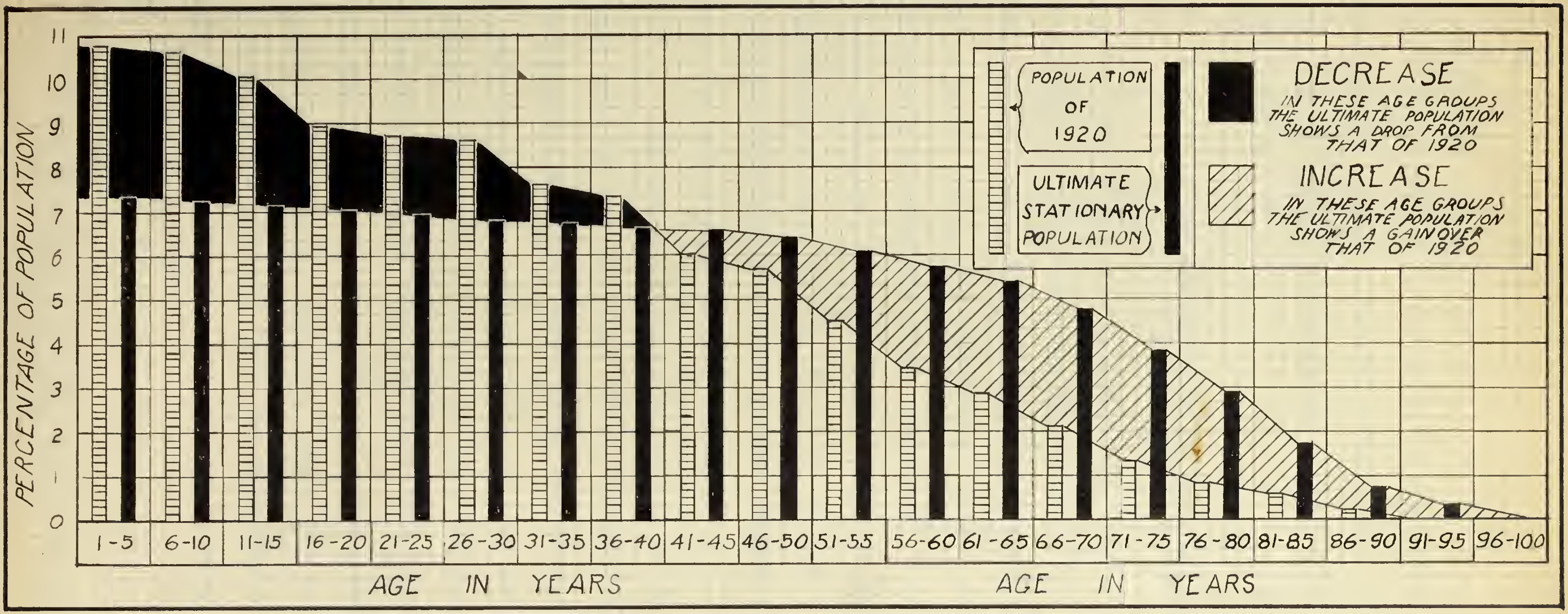
over 50 years old. In 1850 the proportion was only 8.9 per cent; by 1920 it had risen to 15.4 per cent and it is estimated that by 1950 the figure will be 23.6 per cent. We were a very young people 80 years ago, but with the progress of time, there has been a shifting toward the older ages and an increase in our average age. The age distribution in the United States at successive epochs may be indicated in percentages as follows: [1]

	Calendar Year			Ultimate Stationary
Age Groups	1850	1920	1950	Population
Under 20 years	52.5	40.7	32.7	29
20 to 50 years	38.6	43.9	43.7	40
Over 50	8.9	15.4	23.6	31
TOTAL	100.0	100.0	100.0	100.0

The principal change in the age distribution which will be disclosed in the next generation will be a marked reduction in the number of young people and a corresponding increase in the number of old ones. There will be a larger proportion of old people to support and a smaller number of young persons to care for them. More important, perhaps, is the fact that with higher productivity arising out of better management and the wider use of machine processes, there will be need of fewer workers and there will be greater competition for jobs.

The following chart shows the contrast between the population figures, by age groups, for 1920 and for the period

[1] Ibid.



POPULATION OF 1920
ULTIMATE STATIONARY POPULATION
DECREASE
IN THESE AGE GROUPS THE ULTIMATE POPULATION SHOWS A DROP FROM THAT OF 1920
INCREASE
IN THESE AGE GROUPS THE ULTIMATE POPULATION SHOWS A GAIN OVER THAT OF 1920
PERCENTAGE OF POPULATION
11
10
9
8
7
6
5
4
3
2
1
0
1-5
6-10
11-15
16-20
21-25
26-30
31-35
36-40
41-45
46-50
51-55
56-60
61-65
66-70
71-75
76-80
81-85
86-90
91-95
96-100
AGE IN YEARS
AGE IN YEARS

565

two generations hence when, it is estimated, we shall have arrived at virtually a stationary population. It shows that we are moving toward a marked reduction in the percentage of young people and a corresponding increase in the percentage of old ones. [1]

The Elimination of the Old Worker

Contrary to the conditions existing in the professions, in business, or in politics, where men often do their best work at about the age of 60, and where experience and long standing count a great deal, the industrial worker finds himself not infrequently eliminated from productive industry after passing his 50th birthday. The steady decline in the number of gainfully employed aged is due directly to the complex modern industrial development which either cannot or will not find places for the superannuated workers.

In the Massachusetts census of the aged and in the census made by the National Civic Federation of the aged in Connecticut, New York, New Jersey and Pennsylvania, an effort was made to arrive statistically at the age at which individuals suffered a decrease or complete loss of their earning power. The results indicate that the loss or impairment of earning power and retirement from gainful occupation is due largely to universal physical factors. From the table on the following page, it is evident that the majority of individuals were found to have retired or lost their earning power before reaching the age of 70. [2]

[1] Ibid.

[2] Report of New York State Commission on Old Age Security, p. 82.

Percentages of Men and Women Whose Earning Power is Lessened or Completely Lost at Various Age Levels

AGE	Massachusetts Study				National Civic Federation Study		
	Men		Women		Men		Women
	Decreased	Lost	Decreased	Lost	Decreased	Lost	Lost
Under 60	14.3	7.6	12.8	11.8	16.3	6.8	8.7
Under 65	36.9	26.9	36.5	30.8	49.5	26.0	27.8
Under 70	69.6	54.5	70.4	53.2	80.9	59.0	51.9
Under 75	91.5	81.9	87.1	73.5	96.3	88.8	76.3
Under 80	97.3	94.2	93.5	86.5	99.4	97.4	90.3

While the proportion of aged men and women remaining in agriculture and the non-industrial occupations is higher than the normal in all occupations, their chances are very slight in industrial and clerical work. In industry, once the threshold of old age has been crossed, the majority of wage-earners must either seek lighter work at considerably reduced wages or quit employment entirely.

Old Employees "Drags" Upon Production

It is not any great surprise that modern industry with its basic requirements of speed and alertness should cast aside the aged. The presence of superannuated employees in a business seriously impairs its efficiency. Old workers undermine the whole morale of an industrial establishment. For not only can they not maintain the pace required by modern machines but with advancing age, disabilities multiply and once impairment sets in, the superannuated workers must be eliminated for the good of the business.

Summary

In the world of the machine, age and experience are no longer assets but handicaps. Concerned as modern industry is only with efficiency and mass production, it finds little use for its wornout workers. Old workmen are discarded and replaced by industry in the same way as out-of-date and worn-out machinery. Many of these wage-earners, unable to find employment in their accustomed tasks, and some of them with children dead or unable to support them, are merely left to tread the narrow path of old age dependency.

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CHAPTER III

THE NATURE AND EXTENT OF OLD AGE DEPENDENCY IN THE UNITED STATES

The aged may be classified into three distinct groups:

First, the small group of wealthy or independent persons whose economic and social position is secure. This group presents none of the economic or social problems with which we are concerned and may be dismissed.

Secondly, the great mass of aged wage-earners who are presumably "non-dependent" because, in order to avoid the stigma of pauperism, they do not, as a rule, seek aid from charitable and philanthropic sources. These will prefer to make all sorts of sacrifices rather than seek asylum for their last days in either county poorhouse or benevolent home. Many of this group, therefore, while nominally non-dependent, may nevertheless be below the poverty line, and very often, although they find themselves in want through no fault of their own, will prefer to endure hardships rather than accept charity. From any point of view this group, which represents the great majority of wage-earners, has the greatest claim to protection and relief in old age. Their problems must be studied thoroughly and met squarely.

Thirdly, the institutional inmates and paupers. This group includes the inmates of State, County and private charitable institutions, as well as recipients of public or private

relief from local welfare boards, philanthropic organizations, churches, and similar institutions.

The Paupers

Number of Aged in Public Institutions

Statistics dealing with the aged persons who are definitely dependent upon private relief are scanty and incomplete. The United States Census classifies the various groups of dependents by age in only a few instances. However, there is enough data to show that an increasingly larger proportion of our pauper population is recruited from the superannuated. According to the 1923 United States Pauper Census enumeration, out of a total of 78,090 paupers in almshouses, 41,980 or 53.8 per cent were 65 years of age and over. The proportion of the same group was 42.7 per cent in 1910, 40.6 per cent in 1904, 31.8 per cent in 1890 and 25.6 per cent in 1880. These statistics would indicate that our almshouses are becoming institutions for the aged to an increasing extent.

It is difficult to obtain data as to the number of aged persons receiving either public or private outdoor relief, but it is a well known fact that a considerable proportion of these dependents are made up of destitute aged. An estimation of the number of those receiving partial or entire support from individuals, is, of course, impossible.

Sex and Pauperism

In the general population 65 years and over, the proportion of men and women is about equal. In 1923 and 1924

the Bureau of Labor Statistics made a study of poor farms and almshouses in each of the 48 states. The report covered 2,183 almshouses, or 93 per cent of the public pauper institutions in the country. Out of a total of 85,889 persons 57,688 were men or 67.1 per cent, while 28,201 were females or 32.9 per cent.[1] On the other hand, a study of 892 case records of aged clients of Boston social agencies revealed that "an aged woman in need of assistance appears at a social agency about three times as often as an aged man." [2]

It is true that so long as an elderly woman has children or relatives, she can generally fill a small but useful niche in their household and all efforts will be exerted to keep her away from the poorhouse. It is also possible for women to find employment more easily than men because of the heavy demand for domestic service and housework. But an aged man who has spent his life in modern industry becomes dependent as soon as he loses his employment. For him the poorhouse remains the only place of refuge.

Poor Health and Pauperism

Poor health and pauperism have always been intimately associated. According to the United States Census of Paupers, 54.7 per cent of almshouse inmates in the United States were

[1] Bulletin No. 489, Bureau of Labor Statistics, p. 6

[2] Women's Educational and Industrial Union, Aged Clients of Boston Social Agencies.

NUMBER OF ALMSHOUSES AND AVERAGE NUMBER OF INMATES

State	Number of Institutions reporting	Average number of inmates		
		Males	Females	Total
Alabama	55	452	448	900
Arizona	7	162	21	183
Arkansas	28	216	165	381
California	42	4,485	1,325	5,810
Colorado	25	702	376	1,078
Connecticut	48	919	452	1,371
Delaware	2	180	55	235
District of Columbia	1	197	107	304
Florida	11	155	78	233
Georgia	58	378	464	842
Idaho	10	105	28	133
Illinois	90	4,095	1,583	5,678
Indiana	92	2,177	1,041	3,218
Iowa	97	1,945	1,171	3,116
Kansas	83	775	316	1,091
Kentucky	71	619	417	1,036
Louisiana	5	17	8	25
Maine	100	439	262	701
Maryland	15	687	290	977
Massachusetts	144	3,738	2,321	6,059
Michigan	81	3,678	1,544	5,222
Minnesota	44	854	177	1,031
Mississippi	27	130	108	238
Missouri	85	1,955	889	2,844
Montana	22	247	23	270
Nebraska	54	417	163	580
Nevada	8	107	19	126
New Hampshire	11	719	410	1,129
New Jersey	30	1,438	669	2,107
New York	61	6,092	3,111	9,203
North Carolina	97	830	954	1,784
North Dakota	11	110	48	158
Ohio	89	4,844	2,303	7,147
Oklahoma	31	254	92	346
Oregon	17	499	64	563
Pennsylvania	79	7,272	3,401	10,673
Rhode Island	20	431	336	767
South Carolina	27	229	240	469
South Dakota	29	138	48	186
Tennessee	59	799	796	1,595
Texas	54	657	294	951
Utah	7	181	79	260
Vermont	38	157	82	239
Virginia	91	632	567	1,199
Washington	24	747	115	862
West Virginia	45	409	284	693
Wisconsin	52	1,389	454	1,843
Wyoming	6	30	3	33
TOTAL	2,183	57,688	28,201	85,889

completely incapacitated for further work; 38.2 per cent were able to do light work while only 7.1 per cent were able-bodied.

The Massachusetts Commission on Pensions, 1925, declared that of the almshouse inmates only 2.9 per cent of the males and 2.6 per cent of the females were reported to be in good health, without defects. This number is smaller than that reported in the investigation of the Commission on Old Age Pensions, Annuities, and Insurances, which in 1910 reported that 93.8 per cent of the almshouse inmates were physically defective. This probably indicates that it is becoming less common to send persons not needing institutional care to the almshouse.[1]

Pauperism and Economic Status

An examination of the economic classes from which the overwhelming proportion of paupers are recruited illustrates the relation between low wages, and dependency in old age. Of the 57,888 male paupers admitted to the different county almshouses in 1910, 37.5 per cent were designated as common laborers. The other occupations showed very small percentages.

The Massachusetts Commission on Pensions, 1925, remarked:

> "Three-fourths of the male inmates whose occupations were known were formerly connected with manufacturing and mechanical industries. About one-third of the total number were laborers.

[1] Report on Old Age Pensions, Massachusetts Commission on Pensions, 1925, p. 85.

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> Comparatively few professional and business men end their days in the almshouses."[1]

The forces which make for dependency in old age are beyond the control of the individual. Investigations fail to show that any considerable amount of poverty was due merely to personal negligence. On the contrary, the great majority of these paupers were merely victims of the social conditions and circumstances which they could not surmount. With laborers' wages all through their lives, with health undermined, children gone or dead, and their economic usefulness a thing of the past, poverty in old age could hardly be avoided.

The Extent of Old Age Dependency

There is no exact data as to the number of old age dependents in the United States. Guesses vary all the way from almost no dependency excepting those actually receiving public or private charity, to the statements circulated for years by insurance companies and banks, that out of 100 young men starting life at 25, 36 will die before reaching 65; of the 64 living at the age of 65, one will be wealthy, four will be well-to do, five will be just able to get along and the remaining 54 will be dependent upon children or charity. These widely differing guesses illustrate the difficulties involved in estimating the number of presumable "non-dependent" aged persons, who in reality are in need of systematic relief.

From the conclusions of the Massachusetts Commission on Pensions, we may glean some additional facts to enable us

[1] Ibid., p. 88.

to approximate the extent of dependency among the aged as a whole. According to these findings:

> "32.8 per cent, or approximately one-third of the population of Massachusetts, 65 years of age and over, not in receipt of aid from public or private organized charity, have individual incomes of less than $300, and 36.8 per cent have incomes of less than $400 a year. Of those 70 years of age and over, 39.9 per cent have individual incomes of less than $300 and 43.6 per cent have incomes of less than $400 a year. Of the 17,420 persons 65 years of age and over interviewed by the Massachusetts Commission, 39.4 per cent owned property valued at less than $1000, while 30.8 per cent stated that they possessed no property at all."[1]

It is not unfair to conclude that a person at 65 with no property of at least $1000 and no income of approximately $1 a day is either already dependent, or is on the verge of dependency.

Probable Number of Dependents

The estimates of the Massachusetts Commission, being based upon the most thorough investigation ever undertaken by a State Commission, may probably serve as fair indications of the conditions prevailing in the entire country. Granting, however, that possibly better conditions may exist in our less industrial states, it would seem rather conservative to state that approximately one-third of the aged population in the United States is definitely dependent in part or entirely upon children, relatives or organized charity for their support. Accordingly, of the approximately 5,500,000 persons 65 years of age and over in the United States, from 1,800,000 to

[1] Ibid., pp. 52-53.

2,000,000 are supported in one way or another.

While many of these aged will hesitate for a long while before applying for relief to the existing charitable agencies, most of them are facing a pitiful struggle for subsistence. A great many will eventually fall dependent, not necessarily upon charity, but upon children or relatives, at the expense of their self-respect. It is absolutely absurd for people to say that only the improvident and reckless become dependent at the end of their lives. When one person out of three faces a helpless old age, the roots of poverty must lie deep in the economic and social forces which are beyond individual control.

SUMMARY

Since even an annuity of approximately $1 a day beginning at 65 requires an initial outlay of from $3500 to $4500 per person, it is obvious that only few aged wage-earners may hope to remain economically independent upon attaining 65 years of age. Only their ability to hold on to their jobs till their last days would make that possible. But, as already noted, the opportunities for old persons in industrial establishments are growing fewer. Thus after a lifetime of toil in a modern factory, with physical vigor gone, children and relatives either scattered or dead, the aged wage-earner or his widow can hardly escape falling dependent in old age.

Both the nature and extent of old age dependency in

the United States would indicate that the problems facing the old are as real and difficult of solution by mere individual effort in this country as they have been found abroad. Old age dependency, whether of one form or another, is with us and has come to stay since it is largely a result of our industrial development.

P A R T I I

CAUSES OF OLD AGE DEPENDENCY

CHAPTER IV

INDIVIDUAL CAUSES OF OLD AGE DEPENDENCY

It is now clear that for the great mass of wage-earners, inability to maintain their regular employment makes dependency in old age unavoidable. Security in old age is not only impossible for the poorer paid workers but only too often it is just as difficult to attain for the better paid employees and for the middle classes, and sometimes even for the very rich. Even the wealthy and prosperous may meet with misfortune and become penniless in their declining years.

Indeed, the causes of old age dependency, like those of poverty in general are innumerable. "Biological influences, physical environment and social heredity play their part." [1] More often, perhaps, the existing social, economic and political conditions are the direct causes of this poverty. There can be no accurate classification of the factors and influences which combine to produce the fortune or misfortune of an individual. It is especially difficult to classify the factors that make for old age dependency. However, a few of the outstanding circumstances which definitely tend to make for old age dependency will be discussed.

Superannuation

One of the important causes of old age dependency is the part played by feebleness and loss of vigor generally associated with old age. As was pointed out before, the present problem of superannuation is not so much the result of complete incapacity as

[1] Old Age Security, Abraham Epstein, p. 11.

the inability to cope with the competitive conditions of the highly developed machine industry which finds less need for expertness and experience and greater use for speed and rapid production.

In Massachusetts, the latest investigation shows that among persons 65 and over, old age caused total impairment in only 21.6 per cent of the men and 25 per cent of the women.[1]

Waning Earning Power

While old age alone is not always a primary cause of disability, unless illness sets in, and a person in his later years may still be fully capable of work, the opportunities for making an independent living in advanced ages are rapidly diminishing and constitute a serious cause of dependency.

The apparent reluctance on the part of industry to employ the worker of advanced years does not necessarily imply the existence of a hard and fast age limit. The National Association of Manufacturers, in a recent survey to determine the extent of the practice, reported that 70 per cent of the manufacturing plants of the country had no maximum age hiring limits, and employed men on their fitness for the job. Only 8 per cent of the total placed an age limit for new men at 45 years. No companies were found which discharged the men when they reached a given age.[2]

[1] Report on Old Age Pensions, Massachusetts Commission on Pensions, 1925, pp. 66-67.

[2] The Index, September, 1929, Old Age and Employment.

Analyzing the reasons given by these companies for establishing an age limit, it was found that 22 per cent related to the physical condition of the workers or work, 21 per cent to protecting from competition the older man already employed, 19 per cent to the alleged tendency of the older worker to slow up his performances, and the remaining percentage to the feeling that employment of the aged entailed accessory obligations of pensioning, insurance, etc.

Any survey at this time would not be wholly reliable for the reason that while manufacturers might rarely set an official age limit for employment, there might at the same time be a passive recognition of the existence of such a limit. Mr. Henry Ford has said that he prefers workers between 35 and 60 years of age, that they make for a stable working force. A classification of the employees of the Ford factories showed that out of 90,000 employees, about 29,000 were under 30, 34,000 between 30 and 40, 21,000 between 40 and 50, and 6,500 over 50. The company maintains that it makes no age distinction whatever, but bases the selection purely on fitness for the work involved.[1]

Testifying before the Senate Committee on Employment, the president of a large manufacturing company stated:

"There has lately been a very strong movement toward more productivity, and in manufacturing there is a tendency toward the discharge of the older men whose best working years have passed by. When we go through the plant as carefully and as earnestly as we have had to during the past five years, to find

[1] Ibid.

every possibility of eliminating waste, we find men of all ages who have just been doing one sort of thing or another and we are led to figure what good they are doing. Jobs of that sort are often eliminated. When we do this, we usually find something for those fellows to do. There has always been the practice to discharge at a certain age in industry, and it is probably more than it used to be." [1]

Lack of Family Connections

Indeed, the presence of large numbers of childless persons in our poorhouses indicate clearly the connection between abnormally deficient family relationships and pauperism. The Report of the Massachusetts Commission on Pensions, 1925, discloses the martial conditions of the aged almshouse inmates in the state as follows: single, 33.8 per cent; married, 9.4 per cent; widowed, 52 per cent.

The woman left a widow after middle age, the single man and the single woman who have had to make their own living, and the aged whose children have not outgrown their own economic environment, are not prepared to face life once their economic foothold slips away from them. Unable to fall back upon children or relatives, they must seek charitable relief, either public or private.

Sickness

Social workers know that ill health stands out as the largest factor of dependency. It is generally stated that physical

[1] Ibid.

disability, either directly or indirectly, constitutes the paramount cause for charitable relief. The problem of old age is largely a problem of sickness and invalidity. European countries operating old age insurance plans generally recognize this fact by inaugurating in addition health and invalidity insurance systems. In these countries there are usually more persons receiving invalidity pensions than old age pensions.

The Pennsylvania Commission found that 34.5 per cent in the case of the almshouse group, 36.2 per cent among Benovelent Homes inmates, and 47 per cent among the "non-dependent" aged were disabled by sickness.

Illness and poverty are closely interwoven throughout life. It is very often difficult to determine which produces the other. Sickness also encroaches upon the small possessions of the poor and ultimately wipes them out. The 1910 Massachusetts Commission found that of all dependent groups investigated, 60.1 per cent of those who had property in their earlier days attributed its loss to prolonged illness.

As early as 1900, the National Conservation Commission in its report declared that one rarely finds a person past 45 who is in perfect health. Since then many studies of health conditions among different groups of workers have corroborated this broad statement.

The Connecticut Public Welfare Commission examined the disability experiences of 22 factory Mutual Benefit Associations in the state and found:

> "The average number of disability days per member per year for 22 associations taken as a whole is 4.9 days.

Making allowances for the fact that in these associations disabilities of shorter duration than the waiting period and disability running beyond the maximum benefit period are not reported, it is found that on the average a workman is disabled approximately six days per year because of non-industrial accidents and sickness.

The individual experience for one year of a concern which employs approximately 1200 females showed for this group that the average number of disability days due to non-industrial accidents and sickness per female employed was 17.2."[1]

The wage loss due to illness amounts to many millions of dollars annually and constitutes a serious handicap to thrift. It is evident under the present conditions of wage payment, with the high cost of sickness and the loss of wages incurred, savings are insufficient to meet the harvest of destitution caused by illness. In the absence of a sound system of health insurance, sickness makes the wage-earner's transition from independence to dependence a comparatively easy one.

Industrial Accidents

The responsibility of industrial accidents for a great deal of poverty and dependency is known to all. The exact number of industrial accidents occurring in the United States annually is still impossible to determine.

Sidney J. Williams, Secretary of the National Safety Council, at the eighth annual meeting of the International Association of Industrial Accident Boards and Commissions, estimated the following number of industrial accidents for 1919: 23,000 industrial deaths, 115,000 permanent disabilities, and 3,000,000 temporary disabilities.[2]

[1] Report of Commissions on Public Welfare, Hartford, Conn., 1919, p. 50.

[2] United States Bureau of Labor Statistics, Bulletin No. 304, pp. 59-60.

In 1923, the late Carl Hookstadt, one of the most eminent authorities on the subject, estimated the total number of serious accidents in the United States at 2,453,418, involving a total of 227,169,970 working days and a wage loss of $1,022,624,000.[1]

"In the one decade, 1910-1920, American Industry exacted a toll of life and limb exceeding the nation's losses in battle from the Declaration of Independence to the present day. During the period of America's participation in the World War, our industries maimed and killed more workers than soldiers killed and wounded in the American Expeditionary Forces abroad. What this annual hecatomb means in terms of destitution and mental and physical suffering the victims and their dependents permits no estimation."[2]

[1] Douglas, et al, The Worker in Modern Economic Society, pp. 403-404.

[2] Old Age Security, By Abraham Epstein, p. 14.

CHAPTER V

ECONOMIC AND MORAL CAUSES OF OLD AGE DEPENDENCY

Unemployment

One of the misfortunes most feared by the laboring class is that of unemployment. The laborer must have shelter, food and clothes for his idle days as well as for other days; but rarely is the rate of wages fixed so as to cover days of enforced rest or absolute loss of employment. Even temporary unemployment seriously impairs the family savings and helps to eat up whatever provisions there may be for old age.

Extent of Unemployment

The New York State Commission on Employer's Liability and Unemployment, after studying the extent of enforced idleness in the State of New York in 1910, concluded:

> While there is little accurate information available as to the exact number of unemployed at any one time, there is enough to show that about 40 per cent of our wage-earners suffer some unemployment every year, that on the average they lose ten weeks each; and that the loss in wages amounts to twenty per cent of what the earnings would be, were unemployment steady throughout the year.[1]

In a comprehensive study of unemployment, published in 1922, Dr. Ernest S. Bradford says:

> "Industrial wage-earners in those states for which data are available lose about 10 per cent of their working time through unemployment, mainly from lack of work and exclusive of idleness due to sickness and labor disputes. On this basis, an average of at least a million and a half industrial wage-earners in the United States are constantly unemployed, taking poor and prosperous years together.

[1] Wm. M. Leiserson, Unemployment in the State of N.Y.

"Two and a half per cent of the working time of industrial wage-earners appears to be lost from sickness and other disabilities, and an additional one per cent from labor disputes, or an average per worker from these two causes of about ten days per year.

"From such data as are available, it appears that partial unemployment, due to part-time operation of plants, shut-downs, time lost on account of waiting, and related causes, is responsible for a loss of about ten per cent more of the working time of industrial wage-earners."[1]

The present industrial depression began several months before the Wall Street crash of October, 1929. For the last two winters, millions of men and women have been walking from factory to factory, from shop to shop, from office to office pleading for the privilege of work but denied that privilege.

Stories of savings exhausted, of insurance policies cashed in, of furniture sold, of jewelry pawned, of homes mortgaged, of cold, hunger and disease, of loss of self-respect, of begging and crime, of suicide itself are heard everyday.

In many respects, the 1929-1931 crisis has been the most extensive and the most tragic of the generation.

Just how long has been the line of the unemployed during this crisis, it is impossible to state with any degree of accuracy. The census taken in late January, 1931, led to an estimate of 6,050,000 out of a job, able to work and looking for a job, with an additional 250,000 to 300,000 workers who, having jobs were on a lay-off without pay and this number,

[1] Industrial Unemployment, Bulletin No. 310, U. S. Bureau of Labor Statistics, August, 1922.

of course, excluded the sick or voluntary idle.[1] This number, however, failed to include those on part time, a group which probably amounts to another six or seven million.

The Meaning of Unemployment

We are now beginning to realize that when a man is out of work, it is not always because he is defective or because he prefers to loaf. The lack of work has a disastrous effect upon the wage-earner and his family. It frequently decides whether a worker shall drift from his experienced trade to some unskilled job; whether his wife will go to work to help out with the expenses, etc. Lack of work affects the industrious and thrifty workers as it does the careless ones. The men discharged may have been the picked men of the country; yet, as the result of a single flourish of the pen of the corporation's executive, they may find themselves in the army of the unemployed.

Industrial Disputes

The exact losses suffered by wage-earners on account of strikes and lock-outs are difficult to estimate. There seem to be no official or complete lists of such disputes in this country. Very often the number of strikes as given by the employer differs from that of the employee. Sometimes, although there are only a few workers on strike, the number affected is large. Also, it is difficult to get complete statistics as to the actual time lost, because many strikers either resume work

[1] New York Times, March 21st, 1931.

before the strike is over, or secure other employment.

Extent of Industrial Disputes

Since 1916, the United States Bureau of Labor Statistics has tried to keep a record of at least all strikes of importance.

From the figures given in the Monthly Labor Review for July, 1928, these conclusions may be drawn. That during the period from 1916-1927, there occurred a total of 27,982 strikes and lock-outs involving a total of 21,139,159 employees. The time loss amounted to 643,230,039 days, and the wage loss to $2,572,920,156 or an average of $214,410,013 per year, while each wage-earner affected lost approximately $121 each year.[1]

Business and Banking Failures

We have seen that the industrial hazards of sickness, accidents, unemployment and strikes have made savings difficult for wage-earners. Even the middle classes and well-to-do can never be secure in their savings. In a year of unprecedented prosperity -- 1926 -- there occurred 608 bank failures involving $212,074,099.[2] In the year 1931, more than 2300 banks failed in this country, tying up $2,000,000,000.[3]

Since billions of dollars are lost each year in worthless stocks, savings and investments are insecure for simple and trusting people.

[1] Monthly Labor Review, July 1928, pp. 82-91.

[2] Dunn's Review, January 8, 1927.

[3] Times, February 15, 1932.

We only hear of the successful business man. The thousands who fail are known only to their friends and creditors. Applications for old age assistance often reveal interesting situations. People who had invested money with brokerage firms which failed, or bought worthless stock from a clever promotor. In some cases, professional men who had never thought of collecting bills found themselves penniless at 70.

Extent of Business Failures

In the most prosperous year of our history - 1926 - there were 21,773 recorded commercial failures in the United States, 500 more than there were in 1925 and almost 13,000 more than in 1920. In 1927, the number of commercial failures increased to 23,146.[1] Since 1900, the commercial failures in this country number nearly a half a million.

Even the most thrifty and independent persons cannot avoid the poorhouse under the growing necessities of life, the increasing emergencies, and the instability of money. The causes of old age dependency are so varied and the period of superannuation so prolonged and costly that even the well-to-do cannot be certain of remaining independent for the rest of their lives.

The Part Played by "Character"

There are always those people who are ready to blame the individual for the circumstances which surround him. Sometimes I wonder whether the wretched poor are poor because they

[1] Dunn's Review, January 14, 1928.

are shiftless, because they drink, because they steal; or whether they are shiftless, drink and steal because our social institutions and economic arrangements are at fault. It is not right to assume that because these people before us are afflicted in mind and in body that either they or their parents have sinned.

SUMMARY

We may therefore conclude that while in some instances personal depravity will produce misery and dependency in old age, the great and significant causes of old age dependency lie in our institutions, in our present social and economic order. Low wages, unemployment, strikes and lockouts, business failures and industrial superannuation are of incomparably greater social danger than idleness or thriftlessness, which, indeed, are only too often the effects of the former maladjustments.

PART III

EXISTING METHODS OF RELIEF

CHAPTER VI

INDIVIDUAL SAVINGS

For many years it has been a common assumption in this country that not only dependency, but even the mere lack of sufficient individual savings in old age, is a result of the negligence and improvidence of the wage-earner or his family.

The problem of saving for old age is most serious not on account of the lack of habits of thrift, but largely because, as has been shown, the great mass of wage-earners in this country leads a hand-to-mouth existence. With a wage that rarely reaches the American standard of living necessary to maintain a family, how can a wage-earner save at all?

Even if a workman is fortunate enough to receive a fairly high wage, and by economy and self-denial succeeds in setting aside a small part of his earnings, it frequently happens that serious illness besets the family and the entire savings are wiped out. If there is no serious illness, unemployment may deplete the worker's reserves. Even if he is free from these misfortunes, he may be led into foolish investment ventures and get-rich-quick schemes which may sweep away his little capital.

Extent of Savings Deposits

There are no statistics showing the aggregate amount of workers' savings in the United States. The savings deposits figures collected by the American Bankers Association[1] have

[1] Savings Deposits and Depositors, American Bankers Association, New York, 1927.

furnished the basis for the theory of a new workers' capitalism. These data show that the total savings deposits in all banks in the United States have increased from $8,404,373,000 in 1912 to $26,090,902,000 in 1927; in the same period the number of savings depositors rose from 12,605,260 to 48,354,784. It is contended that this rise in savings shows that in 15 years the country has become three times richer, while the steady rise in the number of depositors indicates that in only a few more years everybody in the United States will have a savings deposit and will thus be able to meet all hazards.

The Meaning of Increased Savings

In a study of "The Wage-Earner and His Savings Deposits",[1] A. J. Saltman characterizes the figures supplied by the American Bankers Association as "on the whole misleading and erroneous."

"In 1914," says Mr. Saltman, "only a few states reported the number of depositors in trust companies, and no state the number of depositors in 'state' banks other than the stock savings banks ... How misleading is the total number of 11,385,734 depositors for 1914 in the compilation may be shown by the fact that in 1911 the number of savings depositors in all banks reporting to the Comptroller of Currency was 17,628,114 as given on page 802 of the report of that year. There certainly was no great decrease in the total number of depositors in 1914, and most likely an increase, if the general trend is followed."

Even if the figures reported by the Bankers' Association

[1] The New England Economic Situation, Harvard Undergraduate Economic Studies, pp. 125-157.

should be taken at their face value, it is obviously incorrect to conclude that the masses of wage-earners or even the nation as a whole, have become three times as rich. The purchasing value of the 1926 dollar was only a little more than half that of the 1912 dollar. Thus the twenty-six billion of dollars of saving deposits in 1927, were certainly not worth more than approximately $15,000,000,000, representing a real increase of less than 100 per cent instead of the presumed 300 per cent. One should bear in mind that during this period the population of the United States increased from about 95,000,000 to nearly 118,000,000, or by over 19 per cent. It is also significant to point out that of the total gain of $1,394,710,800 in deposits in 1927, about $864,000,000 accrued from interest alone. Therefore, the actual new accumulations during that year were only about $530,000,000. Divided by the total number of 48,000,000 depositors, this represented an average new gain of about $11 per depositor.

According to Mr. Saltman's findings, saving deposits in all banks of the United States have grown from $6,284,483,000 in 1911 to $17,990,483,000 in 1924 or 186 per cent. In thrifty New England, which retains the highest per capita savings, the deposits have risen from $1,513,269,000 to $3,384,142,000 or 115 per cent over the same period of time. On the other hand, the average deposit account crept up during this time $364 to $463, or 27 per cent, for the whole country, and only from $422 to $510, or 20 per cent for New England. Considering the sharp

decline in the purchasing value of the dollar during the thirteen year interval, it is plain that the average savings account had actually diminished considerably.

Who are the Depositors?

The total number of savings accounts have risen out of all proportion to the growth of the population. The figures given by the American Bankers' Association include not only the deposits of mutual savings banks and state banks, but also those of trust companies and national banks to which the workingman does not commonly entrust his savings. The same figures show that the growth in state bank deposits from 1912 to 1927 amounted to approximately 350 per cent; in trust companies, to over 300%, while in mutual savings bank, which are patronized largely by wage-earners, the gain was but slightly over 100%. Over the same period the national banks increased their "savings" deposits by over 400%. In 1928, the mutual savings banks gained less than 530,000 of the almost 2,500,000 new depositors, and the state banks and trust companies gain about 765,000 and the national banks nearly 1,000,000.

It may be worth noting that over a half million of the new depositors in 1926 and 1927 came from the increased number of school savings accounts. When we remember that $1 or even less is the starting point of a school savings account, the impressive figures acquire an entirely new social significance. In the school year of 1927-1928, the 3,980,237 school children participating in the School Savings' Banks had managed to

accumulate $9,476,391,32 or about $2.30 per child.

Even the savings banks, which are extensively patronized by business and professional men, cannot give a true picture of the actual prosperity of the American wage-earner. Many of these depositors, for the sake of safety, scatter their accounts through various banks and are listed as different individuals. Even the depositors of many of the labor banks are largely composed of non-union members.

A report on the "Trend of Wage-Earners' Savings in Philadelphia"[1] show similar conditions. During the decade 1913-1923, savings in Pennsylvania grew by 250 per cent in the state banks and by 257 per cent in the trust companies. In the mutual banks, the rise amounted to only 61 per cent. Yet, "computations made by these banks for the past 20 years show that from 80 to 85 per cent of the new accounts were those of wage-earners." Even in the case of the Building and Loan Associations in Philadelphia, which have spread so rapidly in recent years, and which are to a great extent patronized by wage-earners, the average asset per member increased from $437 in 1911 to $498 in 1923 -- $61 in thirteen years. During the same period the purchasing power of the dollar declined to almost half.

The facts cited above sufficiently demonstrate that the bulk of the savings deposits' growth does not come from the working masses. The savings in these banks are not a guarantee of the accumulation of funds to assure one of a competency in old age. On the contrary, the funds established in the banks

[1] Margaret H. Schoenfeld, Annals of the American Academy of Political and Social Science, September, 1925.

seem to be required for needs which arise within a few years after the accounts are opened. The average accounts are so small that, if even the proportion of the depositors have more than one account, the deposits would have to be considerably supplemented if the average depositor were to provide for his own old age through these funds.

Insurance Annuities

Savings by means of insurance protection have spread considerably during the past few years. The increase, however, has been largely in industrial insurance which consists chiefly of small amounts upon the lives of the wage-earners or of members of their immediate families, and are paid for at weekly or frequent intervals. The amounts of these policies in the majority of cases range from $100 to $500, commonly required for burial expenses.

While old age insurance may be secured at a reasonable rate if begun early in life, we can hardly expect that any considerable number of young people at 20 or 25 will think of providing for the remote contingency of old age. At advanced years the insurance costs more and is beyond the reach of the great mass of wage-earners. The best illustration of the inadequacy of this system of voluntary old age insurance in the United States is the experience of the Massachusetts' Savings Bank System, where the state sells old age annuities at greatly reduced premiums. At the end of 1927, only 513 persons had taken

out these annuities.[1] The lapsing of thousands of policies in the War Risk Insurance Bureau is another illustration of the difficulties encountered in savings and voluntary insurance plans.

[1] Bureau of Labor Statistics, Bulletin No. 489, p. 298.

CHAPTER VII

INDUSTRIAL PENSIONS

The retirement pension, like other features of the modern program of industrial relations, has come into popularity within a comparatively recent period. Although some pension plans date back to the latter part of the nineteenth century, the main development in this field has occurred during the past thirty years. Most of the earlier plans were in the railroad industry, and in respect to the number of employees covered railroad pension plans still constitute the most important group. The present dimensions of the pension movement are indicated by the following figures, which were collected in the course of the most recent comprehensive survey in the field.[1]

Industry	Pension Plans		Employees Covered In Plans	
	Number	Per Cent	Number	Per Cent
Steam railroads	48	11.4	1,572,628	41.9
Public utilities	73	17.4	695,075	18.5
Manufacturing	178	42.	1,289,644	34.4
Banking and insurance ..	78	18.6	121,381	3.2
Miscellaneous	43	10.2	74,031	2.0
TOTAL	420	100.0	3,752,759	100.0

Reasons for Pensions

Relief of Need

The desire of the employer to do something for the worn-out worker was the impelling incentive to the first pension

[1] National Industrial Conference Board, Inc., Elements of Industrial Pension Plans, p. 1.

[illegible]

grants. The employer recognized a moral obligation on his part toward the workers who had grown old and feeble in the service and whom he could not summarily dismiss as he would scrap an old machine. At first employees tried to discharge this obligation in individual cases, by pensioning aged employees or assigning them to light work, each case being dealt with separately. Later they undertook to provide for the systematic retirement of superannuated workers by adopting a formal pension plan.

Reward for Service

Later another consideration, closely related to the original motive and yet distinct in itself, gained recognition as an additional reason for granting pensions to aged workers. Employers recognized that faithful, long-continued service has a value quite distinct from that of the effect which has been compensated by wages at current rates, and that the rendering of such long service entitles the employee to special consideration in the form of a pension granted him on retirement.

This additional payment was not regarded as a deferred wage, but rather as a special reward for long service, in addition to current wages paid to all employees who remained in the service for a long period and reached the retirement age. The reward was not actually earned until the employee qualified for retirement under the terms of the pension plan. From this standpoint, the pension was looked upon not as a mere gratuity voluntarily given by the employer from humanitarian motives, but as a just reward for service actually earned by the employee.

Economy of Operation

As time went on, employers began to recognize the fact that pension systems increase efficiency and lower costs. Realization of the economic benefits of the pension plan could not, of course, come about until practical experience had demonstrated those advantages. As the economic efforts of old age pensions gradually revealed themselves, employers began to perceive that a well-ordered retirement plan may be a paying business proposition. The savings under such a plan, through elimination of waste, and the gains from stimulus to efficiency, were found to be sufficient in most cases to cover the necessary outlay.

The quickening pace of modern machine industry is bringing about retirement of workers at an earlier average age, while the progress of medical science and applied hygiene is increasing the number of persons who reach relatively advanced years. It is evident that these conditions will lengthen the period of unproductive existence, or permanent unemployment in old age, at both ends, through the earlier retirement of workers and the prolongation of human life. These conditions give increasing urgency to the problem of industrial superannuation.

Another aspect of the relation of pension plans to economy of operation is the stimulus alleged to be given by these plans to the effective use of ageing employees. Obviously the longer the retirement age can be postponed without sacrificing efficiency, the less will be the cost of pensions,

and the greater will be the return obtained from the individual before he retires. It is held that this consideration tends to spur management to take steps toward retarding physical deterioration.

Maintenance of Morale

Closely related to the consideration of the effect of a pension plan on efficiency of operation is its influence on morale, particularly the morale of older workers. It has repeatedly been demonstrated that a contented working force is normally an efficient working force; that a mind at ease can be concentrated more effectively upon the task at hand. In the absence of any definite understanding, it is natural that an employee reaching advanced years should worry as to how long he will be able to retain his job and what will happen to him when he loses it. Relieved of that dark prospect, the employee can concentrate on his work, endeavoring to hold his job as long as possible because by so doing he will increase the amount of his pension.

The morale of younger workers may also be stimulated by a pension plan in a different way. With ageing employees being retired or at least withdrawn from regular productive operations, the avenues of promotion are kept open, and the young and ambitious worker need no longer feel that only death can bring him an opportunity to advance. Opportunity breeds ambition and energy in all ranks of the working force, with highly desirable, if not definitely measured, results.

Restraining Influence

Another advantage sometimes claimed for pension plans is the alleged restraining influence on employees, particularly in relation to strikes. In some instances the pension plan is employed as a disciplinary device or a strike deterrent, and the right to a pension is made conditional on good behavior and non-participation in strikes.

Reduces Labor Turnover

It is obvious that, if the introduction of a pension plan could be counted on to lengthen the average service period, this would mean not only a great saving in the expense of labor turnover but also an increase in operating efficiency. It appears that in some instances, the installation of a pension system is believed to have stabilized labor conditions and reduced labor turnover, but in other cases no such effect is reported observable.

Kinds of Pension Plans

Discretionary and Formal Pension Plans

A fundamental distinction must first be made between discretionary and formal pension plans. A discretionary plan is found in a company that has established no formalized pension policy but has adopted the practice of granting pensions to such individuals as management may deem particularly deserving from the standpoint of service or need. In contrast with the discretionary type of plan is the formal pension plan, in which a definite pension policy is announced by the company management

to remain in force until or unless revoked by the management.

Formal pension plans are of two types, contributory and non-contributory. A non-contributory plan is one in which the entire expense is assumed by the company, while in a contributory plan some part of the expense is borne by the employee.

Contributory and Non-Contributory

The question for the employer in deciding on the type of pension plan to be adopted for his employees, is the choice between the contributory and the non-contributory principle. In favor of the contributory principle, it is pointed out that the participation of the employees makes it possible to provide adequate pensions "without making the cost too burdensome to the employer; insures the active cooperation and interest of the employees; educates the employees in habits of thrift and saving; and relieves the pension plan of any taint of paternalism or benevolence." [1]

It is sometimes agreed that wages are insufficient to provide any margin for saving for old age or contributing to a pension fund. It is also argued that the logical method of financing a pension plan is through joint contributions of employer and employee, since both parties benefit by the establishment of a pension plan and, therefore, should share the expense.

[1] M. B. Folsom, Old Age on the Balance Sheet, reprinted from the Atlantic Monthly, September, 1919, p. 6.

In practice, however, employers generally hesitate to make it obligatory for employees to contribute, for the reason that compulsion of any sort is obnoxious to American workers. The success of a voluntary plan has been found to depend largely on the degree of thoroughness with which its advantages are before the employees, and this requires sustained affort on the part of management.

A partial solution of this difficulty has been found by offering employees special inducements to contribute. This is effected by combining a basic minimum pension, paid by the employer to all employees retired under the provisions of the pension plan, with an additional amount of pension payable only to employees who make contributions to provide annuities for themselves in addition to the pension provided by the employer. That is, the employee who does contribute receives a pension bonus from the employer in addition to the basic or minimum pension, as well as an annuity of the full amount provided by his contributions. Another method of inducing employees to contribute to the pension plan is to combine the pension plan with other insurance benefits - life, sickness, and accident insurance - which are offered to the employee in return for a percentage contribution from his wages at the rate of three to five per cent. This is the so-called "package plan" or "complete protection plan". [1]

Therefore, one of the first questions that confronts an employer who is considering the adoption of a pension plan

[1] United States Bureau of Labor Statistics, Bulletin No. 489, pp. 293-294.

is whether he shall assume the entire expense or call upon his employees to bear a part of it by contributing regularly from their wages.

Features of Pension Plans

Comparatively few plans now in force are definitely or openly compulsory, but the best thought on the subject seems to be inclining in that direction. It is felt that to accomplish its purpose the pension plan must cover the entire working force and not permit the improvident individuals to evade their responsibilities, only to become a problem for management when they reach old age.

Retirement Age

The determination of the age at which retirement shall take place is a difficult matter. The age at which retirement ought to be required in the interest of efficiency varies widely between individuals.

In many of the older plans, the retirement age was set at 70 years for men and 65 years for women.[1] In the more recent plans, the retirement age is frequently fixed at 65 years for men and 60 years for women.

A flexible retirement provision is included in many pension plans. For example, it is sometimes provided that male employees may retire at 65, but at age 70 retirement is compulsory. Such a provision allows for differences in individuals, differing rates of deterioration, and differences in willingness

[1] Report of the Massachusetts Commission on Old Age Pensions, Annuities, and Insurance, 1910, p. 139.

or desire to retire. Such a provision assumes that the pension right has been earned when the earlier age has been reached, but that the employee may remain on the active payroll for an additional five years, thereby earning an income larger than the pension would be and, at the same time, increasing the amount of pension that will become payable to him at the later age. Another arrangement that is said to work satisfactorily provides that every man shall be automatically retired at age 65, unless by affirmation of a governing body he is kept in the active service.

Amount of Pension

A maximum amount of pension is established in some pension plans, and a minimum amount also is sometimes fixed. However, there is a growing tendency to remove the upper limit. Experience has shown that a fixed maximum may be an obstacle to the pensioning of a high-salaried executive, although his retirement may be a desirable thing for the good of the service. The retirement, for example, of the $30,000 man is far more vital to the interests of the business than that of a $1500 workman, not only because of the saving in salary, and in office, secretarial, and incidental expense attached to such an official, but also because the slowing down of a man in a high executive position exerts wider influence on the business than does the slowing down of an ordinary employee.

The amount of pension is usually computed as a percentage of the average yearly income multiplied by the years of service. In early pension plans, the final year's income or the average of the last three to ten years was usually taken as the basis for computing the pension. This procedure

fell into disfavor when actuaries calculated future pension costs, because it was impossible to forecast what an individual's earning capacity would be during his final years of service. The average yearly income for the entire period of the employee's service with the company was, therefore, substituted for the final income.

The percentage of average yearly income used for computing the pension is 1%, 1.5%, or 2%, according to the scale of pension payment. In contributory plans the employer's share of this percentage may vary. He may pay a certain percentage toward the pensions of all employees and may increase this percentage in the event that the employee also contributes. The percentage of contribution by the employer may also vary according to the income of the individual employee.

The present tendency seems to be in the direction of using total pay from the beginning of service as a basis for computing the amount of pension. A pension computed at the rate of 2% of total paid - which is equivalent to average pay multiplied by years of service - would for an employee having 35 years of service to his credit amount to about 70% of average pay, which in many instances is not far from half of his final pay. Another advantage claimed for the average pay basis is that it automatically increases the relationship to final pay of employees in the lower wage classes and decreases the relationship as to those whose wages have been advanced greatly in the final years of service.

Service Requirement

It is customary to require a short service period of two years or less as a condition of participation in the pension plan or eligibility to contribute to the pension fund. The purpose of this requirement is to eliminate casual and short-term employees whose inclusion would complicate the bookkeeping, on account of the heavy turnover in the early period of employment. Most of the older pension plans require also a longer service period of 15 to 30 years as a condition of eligibility to a pension; 95% of the plans studied by the National Industrial Conference Board in 1925 fell within this group. The tendency in more recent plans is to reduce or eliminate the service requirement for eligibility to a pension.

Disability Benefit

Recent pension plans provide generally for retirement of an employee on account of disability before he reaches the specified retirement age. In such an event he becomes entitled to a pension of an amount computed by using the date of disability as the retirement date. Such pension continues only as long as total disability exists. Of course, total disability in the sense of unfitness to carry on a particular job is somewhat essentially different from the total and permanent disability from the viewpoint of a life insurance company. The opportunity afforded management to retire employees under the disability clause of the pension plan is sometimes found a

convenient expedient especially in mergers and in purchases of one company by another when some executive who has rendered valuable service to one of the constituent companies does not fit into the realignment of personnel that necessarily takes place.

Attitude Toward Pension Plans

The advantages of the pension system from the employer's standpoint are readily perceived. Against these advantages must be set the cost of maintaining a system, and what is far more serious, the uncertainty of the cost under the common method of establishing pension systems. At first the expense is not usually serious. When a plan is initiated there are apt to be but few employees who have reached the retiring age, and for some years pensioners may be few, but as new workers each year reach the age limit and are added to the roll, while those already on it are apt to remain there sometime, the cost mounts rapidly. One company, whose plan calls for a service qualification of 25 years, and a pension of 1% of the average earning of the final ten years multiplied by the number of years of service, presented figures covering the first twelve years during which the plan was in operation, which showed how rapidly the annual payments increased:[1]

[1] Bureau of Labor Statistics, Bulletin No. 489, p. 289.

	Annual Payments		Annual Payments
1913	$37,031	1919	$120,780
1914	43,030	1920	113,273
1915	55,267	1921	134,923
1916	83,897	1922	156,323
1917	96,425	1923	173,428
1918	109,911	1924	199,100

It will be seen that not only has the annual cost of the system increased more than fivefold, but it is steadily rising, with the constant load not yet in sight. In the words of Arthur David Cloud, a student of the subject, "the invariable rule of pension system cost is that it will increase over a long period of years." Or to quote Morell Sayre, executive secretary of the Church Pension Fund, "the story becomes like the tales of the genii with their incredible growing demands, and the onward rush is so unremitting and overwhelming as to shake the nerves of the strongest management." [1]

Many companies have found themselves seriously embarrassed by their pension obligations. It becomes increasingly difficult to provide sufficient funds out of current income to meet the rising cost. In years when profits were small it was especially difficult to carry the increasing burden of pension payments. These conditions inevitably led to modification of many pension plans. Some were changed materially; the amount of the yearly pension payments was reduced, and fewer applicants were accepted. In some instances the entire plan was abandoned.

None of the American systems have yet reached, or have nearly approached the peak of cost. When pensioning

[1] New York Times, February 8, 1931.

concerns began to encounter difficulties in financing the payments the actuary was usually called in to advise management as to actual conditions, prospective costs, and methods of dealing with the fiscal problem. It was demonstrated that pensions definitely linked financially an industry's past, present, and future.

Another objection to an industrial pension system is the worker's lack of any contractual right to a pension. This is considered by many to be an almost fatal objection. The worker has no rights whatever in the matter, even when he has fulfilled every condition laid down in the plan. Even in the case of contributory pension systems, the employee has no right beyond the return of his contributions.

In 1926 the Pennsylvania Old Age Pension Commission made a survey of 370 established plans. This covered approximately 90 per cent of all such schemes in existence in industrial, commercial and railroad establishments. The study disclosed that approximately 88 per cent of all formal private industrial pension plans now in force were established since 1910. The total number of persons receiving pensions from industrial concerns in the United States did not exceed 90,000 or about five or six per cent of all the needy aged. The average amount of industrial pension was about $485 per year.[1]

On the basis of these findings the Pennsylvania Commission on Old Age Pensions declared:

[1] Report of Pennsylvania Old Age Pension Commission, 1926, p. 19.

"After noting the highly meritorious efforts which are being made by private employers to care for five or six per cent of all the needy aged in this country, it seems justifiable to conclude that through legislation alone can the needs of all the indigent aged who have contributed their share towards the welfare of this Nation and Commonwealth be met adequately." [1]

[1] Ibid.

CHAPTER VIII

FEDERAL, STATE AND MUNICIPAL EMPLOYEES' PENSIONS

Federal Employees' Retirement Act

The problem of the aged government employees is of paramount importance from the tax-payer's point of view. To retain at full wages on the payroll of our Federal, state and municipal services, men and women who have long outlived their usefulness is a waste of the tax-payer's money. The burden of this load carried on government payrolls becomes especially heavy as the volume of the work continuously increases.

For two decades a bill providing for the retirement of employees in the United States service was presented to practically every Congress. Notwithstanding the pleas of high government authorities, as well as energetic campaigns carried on by the organized employees of the federal government, it was not until the end of the session of the Sixty-Sixth Congress - on May 22nd, 1920, in the face of a presidential election - that the national legislature finally saw the necessity of adopting such a plan.[1]

Provisions of the Act

As originally adopted, the retirement system provided for the compulsory retirement on a pension of all employees in the classified civil service of the United States who had reached the age of 70 years and had rendered 15 years' service.

[1] The Retirement Act, United States Civil Service Commission, 1930, p. 1.

Mechanics, letter-carriers and post office clerks are eligible for retirement at 65, while railway clerks may retire at 62 years of age after at least 15 years of service. An employee may, at the discretion of the head of his department and upon the approval of the Civil Service Commission, continue his work beyond the retirement age for a period of two years. After these two years he may be retained in the service for an additional period of two years. A final amendment adopted in May, 1930, reduced the retirement period of laborers from 70 to 65 years of age, while employees in strenuous occupations, as well as those working in the Tropics, became eligible at 62. [1]

The Pension Law provides for compulsory contributory insurance for those in the service after the passage of the Act and for straight pensions granted as regards service rendered prior to the adoption of the Act. Originally it required contributions of two and one-half per cent of the employees' income, to be deducted from their monthly salaries or wages by the Treasury Department. This, it was estimated, would cover about one-third of the expense of the Act. The remaining two-thirds was to be paid by the government as its contribution. By the 1926 Amendment the employees' contributions were raised to three and one-half per cent of the basic salary. For the year ending June 30, 1927, these contributions amounted to $24,355,882. [2]

[1] Ibid., pp. 1-5.

[2] Bureau of Labor Statistics, Bulletin No. 489, pp. 219-220.

Prior to the adoption of the Amendment, the amount of the pension was based upon two per cent of the average annual salary multiplied by the number of years of service. Under the amended Act it is computed by multiplying the average annual salary, not exceeding $1600, during the ten years next preceding the date of retirement by the number of years of service, not to exceed thirty years, and dividing the product by 40. The Amendment raised the maximum amount of pension from $720 to $1,000 per annum. [1]

The Civil Service Retirement Act also provides benefits for those who become disabled before reaching the retiring age. The amount of pension is computed in the same manner as provided for the regular pension. No benefits are paid for less than fifteen years' service.

In the case of withdrawal from the government's service, or death before the pensionable age, or if an annuitant dies before he has received benefits equivalent to his contributions and accumulated interest, his contributions, or the difference in his contributions, are returned to him or his legal heirs in a lump sum with four per cent compound interest. The Commissioner of Pensions under the Secretary of the Interior is charged with the administration of the Act. [2]

The contribution of three and one-half per cent of the employees' salaries is an arbitrary sum and does not cover the full cost of the plan. The government is to make up the difference between the contributions of the employees and what is needed to maintain the system, and also that it will meet

[1] The Retirement Act. United States Civil Service Commission, 1930, p. 14.

[2] Ibid., pp. 26-27.

the accrued liability for service rendered before the system was adopted. Up to 1926 the government had made no contribution of any kind, but in the budget of 1928-1929 it appropriated $19,950,000 for the fund to cover both its current and a part of its accrued liability. The above appropriation, amounting to 2.5 per cent of the pay roll, met these two obligations and gave a surplus of approximately $400,000 to apply to the liquidation of the accrued liability.

On June 30, 1928, the annuitants numbered 15,383. At the close of the year 21.5 per cent of the annuitants were receiving $999.96 per year. The others were receiving amounts grading downward to one annuity of only $34.44 per year. The average annuity in 1927-1928 was $733.92 as compared with $721.39 the preceding year. At the end of the 1928 fiscal year there was a balance in the retirement fund of $83,078,000.43.

The following statement shows the number of civil service annuitants at the end of each year since 1920-1921 and the amounts paid in annuities during the year:[1]

	Annuitants at end of Year	Annuities Paid During Year
1920-21	6,471	$ 2,590,568.52
1921-22	7,576	4,188,258.89
1922-23	9,334	4,964,001.92
1923-24	10,548	5,692,443.59
1924-25	11,689	6,235,830.16
1925-26	12,524	6,766,601.17
1926-27	14,119	9,598,285.73
1927-28	15,383	10,990,454.10

[1] Bureau of Labor Statistics, Bulletin 489, p. 222.

Pensions for State Employees

Apart from the teachers' retirement systems and plans for pensioning limited groups, such as judges or war veterans employed in public service, six states (Maine, Massachusetts, Connecticut, New York, New Jersey and Pennsylvania) have legislation providing for the retirement on allowance of State employees. Massachusetts was the first state to establish in 1911 a contributory system of pensions for all state employees. The pension provisions of the Massachusetts State Retirement Act, which in the main are followed by three other states are as follows: [1]

The Massachusetts State Retirement Plan

All new employees under 55 years of age entering the service of the state after the passage of the Act were compelled to become members. Employees in the service at the time of the adoption of the Act had the option of either joining the system or not. The rate of assessment is five per cent of the salary up to $1,560 a year. Retirement is optional at 60 and obligatory at 70. It is permitted before age 60 after 35 years' service. An employee's assessments are accummulated with interest and used to purchase for him an annuity at his retirement. The Commonwealth grants a pension of equal amount and an additional pension for years of service prior to 1912; the minimum retiring allowance is $300 after 15 years of service. The maximum is one-half the average salary for the five years preceding retirement. A pension is allowed in case of permanent

[1] Ibid., pp. 227-230.

disability after 15 years of service. If an employee dies or retires, his assessments are refunded with interest.

The system is administered by a board of three members which includes the State Treasurer, a second member elected by employees, and a third chosen by the first two.

The New Jersey Plan [1]

The New Jersey State Employees' Retirement Law enacted in 1921 also covers the entire state service and has features similar to those of the Massachusetts law in regard to retirement, except that the annuity is based on approximately one-seventieth of the average salary during the last five years for each year of service. The state duplicates this pension. In case of resignation or dismissal the contributions are returned with interest. The contributions of members are in accordance with the employee's sex, age at entrance and kind of work. The state makes two contributions: One to cover the liability assumed for service rendered prior to the adoption of the Act and secondly for the service rendered during the current year. The system is administered by a board consisting of the State Treasurer, two trustees appointed by the Governor, and two elected by the members.

The New York and Pennsylvania retirement systems are modelled after the Massachusetts and New Jersey plans. In Connecticut and Maine the plans are non-contributory and the state in both instances pays the entire amount. The employees in these states are given no representation and the

[1] Ibid., pp. 227-230.

plans are not based upon actuarial principles; nor do they give the employee any inherent right to retirement or pensions.

Municipal Employees' Pensions

Pensions for municipal employees, such as policemen and firemen have preceded the entire campaign of old age provisions for all other classes of workers. In the United States this movement is about 70 years old. Municipal employees' pension plans being the earliest schemes adopted in this country, represent the most haphazard and unsystematic of pension experiments. Except for the very recent ones, practically none have given much thought or consideration to actuarial principles. Almost every pension plan in operation is the result of special legislation and has gone through a long process of amendments and modification since its original establishment.

New York City was the first to inaugurate a pension system for policemen in 1857, and since then some four or five hundred municipalities have established pension funds for some of their employees.

The municipal pension plans are confusing both in the administration and classes of workers protected. Some of them are administered in connection with state and county funds, while others are administered by the city alone. Some cities take good care of certain classes of employees while others are neglected. In many funds the retirement age is not specified, depending largely on the years of service.

Where it is stipulated, it ranges from 55 to 70 years, while the length of service is usually about 20 years. A number of plans also provide benefits for widows and dependents. In many of the funds, the annuity is an entirely gratuitous gift of the municipality. In others, the funds are made up by the municipality and by contributions from the employees.

While many policemen and firemen are nominally protected in their old age, most of the plans in existence remain financially unsound and insecure. Only since 1920, when New York established a scientific retirement plan for city employees, have a number of other large cities followed with actuarially sound pension plans: Chicago, 1922; Minneapolis, 1922; San Francisco, 1922; Boston, 1923; Baltimore, 1926.[1] Nevertheless, the majority of municipal employees in the United States remain without pension provisions.

Retirement Funds for Teachers

Although the United States led the world in the establishment of compulsory education laws at public expense, it was one of the last to make provision for the care and relief of superannuated and aged teachers. While Russia established a system of relief for its aged teachers as early as 1819, the first legislative interest in retirement systems for teachers in this country did not come until 1894, when New York City teachers secured the passage of a retirement law in the New York Legislature.

[1] Ibid., p. 233.

The New York law provided for the establishment of a teachers' retirement fund to which the teachers were to contribute only indirectly, from deductions made from their pay because of absence. In the following two years, similar funds, but requiring direct contributions, were established in Brooklyn, Detroit, Chicago, St. Louis, San Francisco, Buffalo, Cincinnati, and the State of New Jersey. Most of these plans were compulsory in character and the teachers' contributions amounted to one per cent of their salaries.

Since hardly any of these plans were based upon actuarial principles of insurance, it soon became evident that the teachers' contributions alone were insufficient. The teachers then began to ask for direct contributions from cities and states. Their arguments were so successful that for more than two decades afterwards the government's contributions continued to rise steadily while the teachers' contributions, in most instances, remained stationary. In the summer of 1927, when the inquiry as to retirement systems was undertaken by the Bureau of Labor Statistics, twenty-one state-wide teacher-retirement systems were in effect, and in addition seven cities having a population of 400,000 and over had retirement systems for their teachers, independent of those of the states. [1]

The main features of these funds are as follows:

Retirement Age

Many plans do not specify any age, leaving it to depend entirely upon the number of years of service. Those

[1] Ibid., p. 264.

which make provision for the pensionable age set it generally at 60 years or in some cases 60 for men and 55 for women. The period of service required before qualifying for a pension ranges from 25 to 30 years, except in a few instances where it is only 20 years or less, or 35 or more. Except in the newer systems credit is usually given for teaching experience in other states or localities.[1]

Pension Amount

The amount of the pension is usually either a fixed sum of $500 or less per year, or is determined by the number of years of service; in some funds, it depends entirely upon the average salary received. In these cases the annuity is based approximately upon one-half of the salary of the last few years or upon both salary and length of service. The new funds generally provide for a benefit which is divided into an annuity and a pension. The first is based upon the contributions and age of the pensioner while the pension is equal to the annuity and is given by the government.[2]

Contributions

In most cases the contributions to the funds are derived from three general sources: From the teachers themselves; from appropriations by the different school boards; and whatever is derived from accrued interest, donations, legacies, bequests, etc. In most systems the teachers contribute from one to five per cent of their annual salaries. In the new systems each teacher's contribution depends upon

[1] Ibid., pp. 271-272.

[2] Ibid., pp. 273-274.

the age at which he begins to contribute and upon the number of years of prior service. The pension is fixed at a certain proportion of the salary and increases with each year of service up to 35 years.[1]

Most funds grant partial annuities in case of mental or physical incapacity. In order to be entitled to these benefits a minimum period of service varying from five to twenty-five years is required. Practically all retirement systems provide both for compulsory and optional retirement ages. The latter is usually left to the discretion of the school board and may precede the compulsory retirement age by about five years.[2]

Besides the necessity for putting many of the present systems upon an equitable and sound financial basis, there is need of the establishment of retirement allowance systems in those states and localities which as yet have none. It has been estimated that about one-half of the public school teachers in this country are not covered by any pension provisions.

Military Pensions in the United States

The contrast between the deficient provisions for old age security in general, and the generous care lavished by the government upon those who gave it temporary service during war-time is lamentable.

The United States spends startling amounts on war pensions. Beginning with the Civil War Veterans' Pensions

[1] Ibid., pp. 267-269

[2] Ibid., pp. 272-273

a total of over $7,250,000,000, exclusive of the maintenance cost of the Pension Bureau, was spent on the various military pensioners by the end of 1928. In 1866 there were 126,722 pensioners on whom the annual expenditures amounted to $15,450,549.88. The number increased until in 1902 there were almost 1,000,000 pensioners. Since that time the number has been steadily decreasing. The report of the United States Bureau of Pensions, covering the fiscal year 1927-1928 shows that on June 30, 1928, there were on the pension rolls 491,194 pensioners. In 1902 the amount disbursed was $137,504,267.99 as compared with $228,965,672 in 1928. The average amount of the pension for the different wars during the fiscal year 1928 was $466.14.[1]

In passing war pension legislation Congress as a rule disregarded economic factors. Even today 14 persons are still drawing pensions as widows of the War of 1812. It is common knowledge that a large amount of the pension amount goes to individuals who have no economic need whatsoever of financial assistance. It surprises no one to find a war veteran drawing a substantial salary as a public employee (after having obtained the appointment under privileged conditions), and at the same time his war pension for disability.

When the newspapers in the United States announced that in 1926 Great Britain spent $100,000,000 a year in pensions on over 1,000,000 needy aged, American editors lamented about the terrific strain upon the British finances and the

[1] Bureau of Labor Statistics, Bulletin No. 489, pp. 63-64.

effects of such a system upo n the moral character of the English people. Today, we are spending, on about one-half million military pensioners, more than twice as much money as Great Britain spends on over one million civil pensioners, but our moralists never notice either financial strain or the demoralizing effect upon our people.

World War Veterans

The government's policy of straight pensions to war veterans was to have changed during the World War to a plan of contributory insurance on the part of the veterans themselves. Thirteen years' experience of this plan may not only serve as a striking example of the failure of voluntary insurance but it is believed that, unless some national old age provision is established meanwhile, the government will at some later period be forced to grant pensions to World War Veterans as it has allowed such pensions to veterans of previous wars.

The original provisions of the Bureau of War Risk Insurance have been greatly changed. The cheap life insurance provided under the yearly renewable term policies ceased finally on July 2nd, 1927. Veterans in good health were permitted to convert their war-time insurance which they had in force, either regularly or by re-instatement in case of lapse, in one or more of the following plans: (1) Ordinary life insurance; (2) 20-payment life policy; (3) 30-payment life policy; (4) 20-year endowment policy; (5) 30-year endowment policy; (6) endowment at age 62; (7) 5-year convertible term policy.

The premiums of these policies vary with the ages of the insured and are based on the American Experience Table of Mortality. The premiums are deposited in the United States Treasury to the credit of the United States Government Life Insurance Fund. Besides the payment of the cost of administration, the government bears the cost of all total and partial disability claims and death claims. The minimum policy is $1,000 and the maximum $10,000.

The system of insurance provided by the United States Veterans Bureau is completely insufficient as a means of constructive social protection against the economic hazards. Although 4,685,407 applications for yearly renewable term insurance were made from the beginning of the plan through January 31st, 1928, there were in force on that date only 678,493 policies of United States Government converted life insurance. Over 4,000,000 of the original policies lapsed either through death or otherwise. The vast majority of even the comparatively small number of veterans who continue to carry their government insurance are now completely unprotected against their old age.

CHAPTER IX

OLD AGE BENEFITS OF FRATERNAL AND TRADE UNION ORGANIZATIONS

Benefits of Fraternal Societies

Fraternal societies organized the earliest forms of mutual assistance and insurance benefits. After the industrial revolution, there developed many fraternal orders and secret societies most of which have benefit provisions of one form or another.

The fraternal organizations supply to their own members on a cooperative plan various forms of insurance--largely against sickness, death, and disability. As to old age relief, these societies ordinarily only raise such sums as are sufficient to cover immediate contingencies. This frequently means that the younger generation helps the older members in the expectation that in turn their old age will be protected in a similar manner. But as the burden of supporting the old becomes heavier, young persons are less and less attracted by these schemes.

The Bureau of Labor Statistics inquired of 71 fraternal organizations as to what, if any, provision was made by the organization for the aged members, through pensions, homes and relief. From the 61 replies received, 17 issued beneficial certificates which could be surrendered for cash benefit, 4 had a pension plan, and 17 operated one or more homes for the aged. [1]

[1] Bureau of Labor Statistics, Bulletin No. 489, pp. 158-159.

The 1925 Massachusetts Commission on Old Age Pensions found that few of the aged persons interviewed were receiving benefits from fraternal organizations.

The Work of the Fraternal Order of Eagles

Perhaps the most significant development touching old age pensions by a fraternal insurance society is the recognition of the principle of state legislation and the active promotion of old age pension laws by the Fraternal Order of Eagles. Beginning with 1922, this order, through its national old age pension committee and through its local and state officers, has carried on an incessant campaign in behalf of old age pension legislation in a number of states. Indeed, the existing state pension laws are in a large measure the result of this order's work.[1]

Trade Union Superannuation Benefits

For many years the American Federation of Labor did not advocate state old age pension legislation. But at its Cincinnati Convention in 1922, the executive council made a report on old age pensions. The convention endorsed the principle of Federal legislation; this has since been repeated by successive conventions. The 1927 Convention reiterated its stand for this legislation and instructed the Federation to study the subject and draft an appropriate bill for presentation to the legislature.

[1] Old Age Pensions, Hearing before a Sub-committee of the Committee on Pensions, U. S. Senate, 1931, p. 149.

But while the A. F. of L. as a body has not yet carried on any active campaign for old age pension legislation through the Federal Congress, many state federations of labor and many labor leaders have fought in behalf of this legislation in the various states. The United Mine Workers of America have had a special old age pension committee working in the various coal producing states.

The trade unions, despite their general conviction that union old age benefits are important in organizing, holding, and binding the membership, have on the whole wisely refrained from providing for such emergencies because they have realized the difficulties involved in private pension plans. Out of 100 national and international unions affiliated with the American Federation of Labor, only 9 are paying old age benefits, and 3 trade unions not affiliated with the A. F. of L. pay old age pensions.[1]

International Typographical Union

In 1894, the International Typographical Union opened its Union Printers' Home in Colorado Springs, Colorado, in order to take care of its old and infirm members. After several years' experience with this Home, the I. T. U. became aware that it did not solve the problem since many aged workers valued above all their family ties and long associations and refused to have these broken. At the annual convention of the Union in 1907 an old age pension system was established. This became operative in March, 1908.

[1] Bureau of Labor Statistics, Bulletin No. 489, p. 86.

[illegible]

This plan originally provided for a pension of four dollars per week to members 60 years of age and in good standing for 20 years who were unable to obtain sustaining employment at the printing trade, and unable to earn more than four dollars per week. Gradually the pension increased to eight dollars per week and on the recommendations of the actuary the age limit was raised to 65 with a minimum membership of 25 years. The change in age was enforced one year at a time so that in 1930 all pensioners had to be at least 65 years old. Members contribute to the fund three-quarters of one per cent of their earnings.[1]

For the year ending May 31, 1927, 2,430 members were in receipt of pensions from this Union, with an expenditure of nearly a million dollars for that year. Resident members of the Printers' Home are not eligible to a pension and one who has been expelled is not entitled to receive the pension until a year after expulsion. When a member is admitted to an institution, the plan also provides for his dependent wife.

The Bricklayers' Relief Fund

The Bricklayers', Masons' and Plasterers' International Union of America provides that members 60 years of age, in continuous good standing for 20 years, who through some bodily infirmity cannot secure employment and are without support, are entitled to seven dollars a week benefit from the Relief Fund. When a member entitled to old age or disability relief

[1] Ibid. pp. 91-92.

dies, his widow, if she is 60 years old and dependent, may be granted the same pension until she dies or remarries.

The union at its convention sets the amount of relief dues to be levied upon members. At the beginning in 1914 the assessments were only 25 cents per month. This amount has gradually increased until now the assessment is eighty cents per month per member.

In May, 1920, 1387 persons received old age benefit from this Union. In 1928, the pensioners numbered 2,954 of whom 823 were widows and 76 disability beneficiaries. The amount disbursed on pensions was $1,021,858.[1]

Street and Electric Railway Employees

The Amalgamated Association of Street and Electric Railway Employees pays a lump sum of $800 to members reaching age 65 belonging to the organization for 20 years. Fifty cents per month from each member in dues goes to this fund and additional assessments may be levied if necessary. In 1928, 80 members received these benefits.[2]

Printing Pressmen

The International Printing Pressmen's and Assistants' Union of North America provides a pension of $7 a week to members 60 years of age and over after 20 years continuous good standing. Pensioners can be admitted to the Pressmen's Home and are then entitled to the difference between the full amount of the pension and the cost of maintenance. Each union member pays twenty-five

[1] Ibid. p. 86

[2] Monthly Labor Review, February, 1928, p. 5.

cents per month to the old age pension fund. In 1928, the union distributed $60,974 to 244 members.[1]

Bridge and Structural Iron Workers

The International Association of Bridge, Structural and Ornamental Iron Workers' Union pays a pension of $25 per month to members 60 years of age or over, of 20 years standing, who are unable to secure sustaining employment at any occupation and have no means of support. Pensioners must report monthly to the financial secretaries of their local and if they receive over $60 income in any one month the allowance ceases during that period. Fifteen per cent of the monthly revenue from dues is set aside for pensioners and if the fund falls below $50,000 an automatic assessment of one dollar per person is levied upon the membership.[2] There were 331 pensioners in 1928 and $86,300 was spent on them.

Granite Cutters

The Granite Cutters International Association of America was the pioneer trade union in establishing a pension system. Its pension plan dates back to 1905. Pensions are paid to members reaching the age of 62 after 25 years of unbroken membership and 17 years of continuous good standing. A monthly allowance of $10 is paid only during the six winter months. The plan is financed from fifteen per cent of the dues turned into the International Office. If the fund is at any

[1] Bureau of Labor Statistics, Bulletin 489, p. 91.

[2] Ibid. pp. 87-91.

time deemed insufficient to pay the benefits, the Inter-National Executive Council may reduce the benefit accordingly. In 1928, 405 members received benefits and $16,335 was spent.[1]

Quarry Workers

The constitution of the Quarry Workers Union provides that any member may receive $50 upon attaining the age of 60 after 10 years continuous good standing. This sum is deducted from the funeral benefits.[2] In 1928, 18 members received the benefit.

Electrical Workers

The International Brotherhood of Electrical Workers adopted an old age pension plan in 1927. The plan proposed to give a pension of $40 a month to workers reaching the age of 65 after 20 years good standing.[3]

Carpenters

The latest union to adopt an old age pension plan is the United Brotherhood of Carpenters and Joiners which adopted such a system in 1928. The plan proposes to give a pension of $15 per month to workers reaching the age of 70 after 30 years good standing.[4]

The Brotherhood of Locomotive Engineers

The Brotherhood of Locomotive Engineers has had a regular Pension Association since 1912. Members of this Association contribute from 50 cents to $4.50 per month in accordance

[1] Ibid. pp. 87-91.
[2] Ibid. p. 86.
[3] Ibid. p. 87.
[4] Ibid.

with their ages at entry. Pensions are paid at 65 or 70, and vary from $25 per month to those who have paid dues for 60 months or less, to $65 per month to those who have paid dues for over 480 months. In 1928, 4,467 pensioners, including 1,533 widows, were receiving benefit annuities amounting to almost $1,000,000.[1]

Brotherhood of Railway Trainmen

In 1923, a similar plan was adopted by the Brotherhood of Railway Trainmen. Originally, membership was open to all those under 65 years of age. Since July 1, 1926, only members under 45 may join this fund. As in the case of Locomotive Engineers, the dues depend upon the age of entry and range from fifty cents to $4.50 per month. The amount of pension depends on the length of membership and varies from $30 to $70 a month. If funds prove insufficient, additional assessments may be levied. A member must have paid dues for at least two years before becoming eligible for pension. In 1928, there were 110, including 13 widows, who received pensions amounting to $3,180.[2]

Brotherhood of Locomotive Firemen and Enginemen

The Brotherhood of Locomotive Firemen and Enginemen operates under a plan similar to the preceding two and in 1928 paid pensions to 230 persons.[3]

Discontinued Plans

A few other labor organizations have either adopted or contemplated the adoption of an old age pension plan with

[1] Ibid. pp. 87-91.

[2] Ibid.

[3] Ibid.

NUMBER OF PENSIONERS, AMOUNT OF PENSION, AND AMOUNTS DISBURSED IN THE YEAR 1928.

Union	Number at present in receipt of pension	Amount of pension per member	Amount paid in last fiscal year
Bricklayers	2,954	$ 7 per week	$1.021,858
Bridge and structural-iron workers	331	25 per month	86,300
Carpenters	...	15 per month	...
Electrical workers	37	40 per month	17,214
Granite cutters	405	60 per year	16,335
Locomotive engineers	4,467	25 to 65 per month	988,519
Locomotive firemen and enginemen	230	30 to 70 per month	73,855
Printers	2,430	8 per week	990,360
Printing pressmen	244	7 per week	60,974
Quarry workers	18	50	500
Railroad trainmen	110	35 to 70 per month	31,080
Street-railway employees	80	800 in lump sum	64,000
TOTAL	11,306		$3,350,955

but little success. The Order of Railroad Telegraphers tried two different plans and finally gave them all up in May, 1924. The Order of Railway Conductors was forced to discontinue their plan. The Flint Glass Workers by a referendum vote rejected a proposal for the establishment of an old age pension fund. Similar action was taken by the Barbers' Union in 1926. Before the adoption of the Eighteenth Amendment, the Brewery Workers Union had drafted a plan of old age provision which was to be shared by both workers and their employers. Several of the districts of the United Mine Workers of America have considered or even tried old age pensions for their own members but nothing remains today.[1]

SUMMARY

The preceding facts show the insufficiency of the present means of protection in old age. Under the present conditions of high prices and rising standards, individual savings for the declining years of life are scarcely possible for the great majority of wage-earners. Neither can industrial concerns be depended upon to provide for their aged workers, since they have no permanency and take care of only a fraction of their workers. While the Federal Retirement Plan protects the government servants, thousands of employees of state and municipalities are still without any provisions. The fraternal and trade union old age benefit funds are generally insecure and, at best, they can help only a small number. Indeed, the

[1] Ibid. p. 95.

preceding enumeration of the various attempts at old age provisions show that for certain classes, such as war veterans, government employees, teachers, etc., the needs of such protection have been definitely established. With the exception of a few industrial pensions, our great masses of wage-earners who create our wealth and pay their shares in the taxes are still left to wrestle alone with the dreaded problem of dependent old age.

PART IV

THE PROBLEM OF PENSIONS AND THE MOVEMENT TOWARD SECURITY IN THE UNITED STATES

CHAPTER X

THE PROBLEM OF PENSIONS

A pension is a regular allowance for life in consideration for past services. Originally pensions were granted by kings to distinguished persons in the world of art, literature, science as well as for military or political services. Pensions were also granted to prominent jurists, university professors and clergymen. In more democratic nations the government still pensions former soldiers and war veterans.

The more recent demands for the establishment of old age pensions are merely the natural extension of this principle to the veterans of toil. To extend this old age protection to the working people is merely to recognize the changes wrought by our industrial system. Men and women, being replaced by machinery and younger persons, and being unable to continue in remunerative employment, are thus deprived of earning an independent living. To make the aged worker's life secure, when the industrial world casts him aside, would be merely to recognize his services and to compensate him for his losses.

The preceding chapters showed both the inadequacy of the existing provisions against old age and the difficulties confronting the wage-earners who attempted to obtain such security under modern conditions. The granting of public or

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private charity is not only insufficient and unsatisfactory but is repugnant to the self-respecting person. An old age insurance or pension system would unquestionably raise the general standard of living. It would also eliminate to a great extent the dreaded fear of old age.

Virtually every civilized government considered the problem of old age an important national issue. Abroad its solution is generally sought in a broad social policy rather than in the haphazard individual and charitable methods of relief. There are few industrial nations today that have not yet adopted a definite course of social action in solving the problem presented by dependent old age.

The methods of protecting old age generally followed abroad may be classified as follows: (1) Voluntary insurance; (2) Compulsory contributory insurance; (3) Straight or non-contributory pensions; (4) Direct taxation in accordance with income.

Voluntary Insurance

Voluntary insurance may be classified into several types: private voluntary insurance; voluntary insurance under public administration; and voluntary subsidized insurance.

Private Voluntary Insurance

Under this heading may be included the old age mutual insurance of trade unions and fraternal organizations, the voluntary old age insurance taken out for their workers by industrial corporations, and the individual insurance with

private insurance companies. All these forms are business propositions and involve no state action other than mere supervision.

Voluntary Insurance under Public Administration

Under this form of insurance the government merely sells annuities and insurance at cheap rates. In addition to governmental guarantees, the state in most instances bears the expense of administration. These insurance plans aim to facilitate savings against old age and to make such thrift attractive and accessible to wage-earners. The amount of insurance is limited and employers of labor are offered opportunities to cooperate with their employees either by contributing to the premiums or by collecting them. The advantage of this form of state savings over private insurance lies in the reduction of the premiums by the elimination of both profit and the cost of administration.

Voluntary Subsidized Insurance

The State in this case, subsidizes individual thrift by means of a State contribution, which is not given to the insured but deposited to his or her account and goes to swell the amount of the pension purchased. France, Belgium, Italy and Spain had these systems in practice for many years.[1]

The chief reason in favor of voluntary insurance is that it encourages thrift and maintains the self-respect of its beneficiaries. In practice however it has failed to accomplish its purpose. Even generous subsidies fail to attract more than

[1] Old Age Dependency, Metropolitan Life Insurance Company, Monograph two, 1931.

a handful of workers. In most countries these systems have been partly or entirely superseded by other methods. In Massachusetts only about 500 persons took advantage of this form of insurance after almost 23 years existence of the savings system.[1] The experience of the United States Veterans Bureau is another illustration of the failure of voluntary insurance.

Only Japan is at present operating under such a plan exclusively. Canada which followed this system for about eight years, established a straight government pension plan in the spring of 1927. [2]

Compulsory Contributory Insurance

As the logical result of the failure of voluntary systems came contributory insurance. Since wage-earners were either unwilling or unable to insure themselves against old age, European governments sought to overcome these obstacles by making the insurance obligatory for certain classes of workers. The government continued to subsidize the insurance. Germany was the first country to establish compulsory insurance for its working people.[3] To date of the 35 nations which have inaugurated provisions against old age dependency, 25 are operating on the principle of compulsory contributory insurance.

Under state compulsory insurance all workers earning less than a certain income are compelled to insure. Persons earning salaries above the set amount are generally not obliged to insure but may take out voluntary insurance in common with

[1] Bureau of Labor Statistics, Bulletin No. 489, pp.297-298.

[2] Old Age Dependency, Metropolitan Life Insurance Company, Monograph Two, 1931.

[3] Ibid.

other classes. Generally both the employer and the employee contribute equally. The state bears the expense of administration and in addition also makes a direct contribution to the natural pension. In Germany and a few other countries the workers' contributions are graded in accordance with wages; in France it is uniform for all adults males, females, and minors, while in England it is uniform for all males and females. The employees' contributions are collected by the employer who is allowed to deduct them from the wages of his workers. A minimum number of contributions is generally required for eligibility to a pension. For those who cannot make the required number of contributions, there are provisions reducing the required minimum.

Advantages of Compulsory Insurance

The advantages of compulsory contributory insurance are as follows:

(1) The possibility of universality. By compulsion, insurance not only protects the classes which need it most but can also be made more effective.

(2) It removes any suggestion of charity.

(3) It encourages thrift and independence even though it is not voluntary.

(4) It does not directly add to taxes.

(5) In the end, the workers would not feel the added burden since their wage deductions would ultimately be balanced by a rise in wages.

(6) More countries have adopted this plan than any other, and it has worked successfully.

Objections to Compulsory Insurance

Objections to the compulsory principles of insurance are:

(1) It cannot be made universal, as it omits many persons who may need this protection no less than wage-earners. It can be made to apply only to persons regularly employed. It is difficult to collect contributions from persons irregularly employed such as agricultural laborers, housewives, small merchants, and those who work for themselves.

(2) Even through compulsion it is difficult to reach the poorest classes of workers who are most in need of old age support. Workers who do not receive a living wage cannot possibly save enough to contribute to pension funds.

(3) Compulsory insurance lessens the individual's qualities of self-help and reliance.

(4) Compulsory insurance demands a complex administrative machinery to record the contributions during a long period of years.

(5) It is class legislation, since it places the wage-earning classes under a special regime.

(6) Some persons contend that old age is not a problem of industry alone, for people grow old despite all human efforts.

(7) Pensions under this system are small and the retirement age too high.

(8) Compulsory contributions are too rigid and cannot be readily adjusted to the particular needs of the various industries and localities.

(9) Also, it is declared to be un-American, distasteful, and contrary to the American spirit. It is claimed that this principle would not be accepted by American citizens.

(10) The compulsory principle is also said to be unconstitutional.

Straight or Non-Contributory Pensions

Under this non-contributory system, pensions can be made effective immediately. Neither the employer or the employee make direct contributions. The State assumes the entire cost. Eleven nations operate their old age pensions under this system.

Non-contributory pension laws usually require that an applicant must have attained a certain age, that he has been a citizen and a resident for a certain period of years and that he had no income from any source above a specified amount. In addition to these, most countries require that the applicant fulfill certain moral and character qualifications. Many countries deny pensions on account of family desertion, neglect of minor children, drunkenness, or prison sentence. The first gratuitous pension system was established in Denmark in 1891. Great Britain established a straight old age pension system in 1908. This plan continued until 1925 when a contributory system was put into operation.[1]

In the United States the non-contributory form of old age relief is most popular and most widely discussed plan. The advantages and disadvantages of this pension plan will be discussed in a separate chapter.

Direct Taxation in Accordance with Income

The system of direct taxation for old age pensions

[1] Old Age Dependency Metropolitan Life Insurance Company, Monograph two, 1931.

which has been in operation in Sweden since 1913 represents a modified form of the compulsory contributory insurance principle followed in most countries. Instead of limiting the insurance to certain classes of wage-earners, the Swedish law is obligatory upon every person between the age of 17 and 67. Only those classes who were already protected by old age pensions are exempted from the law. Instead of collecting weekly premiums from the wages, the contribution is graded according to the annual income, is assessed and collected by regular assessment boards and the national and municipal tax collecting services.[1] The wife's contribution is paid by her husband, while the father of children under 18 living with him is responsible for their contributions.

The Swedish plan, really a compulsory contributory old age insurance plan, seems to have eliminated some of the objections of the various other plans and to possess the advantages claimed for all.

[1] Ibid,

CHAPTER XI

THE COST OF PENSIONS

Up to a few years ago, the probable cost of a pension plan for either the entire United States or the individual states was not available. Statistics bearing on the economic status of the aged were limited. While the aged poor in the United States are not better off than people of other countries -- on the contrary are even worse because of our higher standard of living -- it is a known fact that the United States has a smaller percentage of poor and dependent persons than any other nation. Estimates based on foreign experience would prove unsatisfactory.

More scientific and closer estimates became possible following the spread of old age pension legislation in the United States. The Pennsylvania Old Age Assistance Commission of 1923-1925 and the Massachusetts Commission on Pensions of the same period gathered significant information on the subject, and we now find definite guidance in the experience of Montana and Wisconsin which have been operating under a pension law for some time.

Cost Estimates of Non-Contributing Old Age Pension Plans

Estimate of the 1923-1925 Massachusetts Commission

The old age pension plan upon which the Massachusetts Commission calculated the cost provided for the granting of pensions to citizens of the United States who have reached 70 years of age, who have been residents of the state for 15 years or more

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with no property in excess of $3,000(either singly or with wife) and with less than $365 annual income. The allowance was to vary with the pensioner's income and the aid given by children, but it could not, added to all income, exceed a total of $365 a year, or $1 a day. Inasmuch as the pension bills presented to the different state legislatures generally embody similar provisions, the Massachusetts Commission's estimates may serve as a basis in calculating the costs of such a plan in other states.

Considering that the pension laws generally proposed in other states require that upon the death of the pensioner or his wife the state be reimbursed to the total amount paid out in pensions from whatever is left of the pensioner's estate, the Massachusetts Commission calculated that in the end "it is conceivable that the reimbursement might range from $1,200,000 to $1,300,000 a year".[1] Thus the total expenditures of the proposed Massachusetts plan would not exceed four to five million dollars per year. Administrative expenses were estimated at about $210,000, or three and one-half per cent of the cost. The Commission declared that if this sum were expended, it would save $515,000 in public relief and approximately $900,00 in private relief.[2]

Estimates of the Pennsylvania Old Age Assistance Commission

The Pennsylvania Commission on Old Age Assistance

[1] Report of the Mass. Commission on Old Age Pensions, 1925, p. 175.

[2] Ibid. p. 16.

inquired closely into the actual cost of a pension law. By extensive publicity and other means all aged persons who considered themselves affected by the Act were asked to file applications with the local boards. The members of these local boards were native persons who knew their districts well and came from different parts of the country. After eight months' operation, the Commission asked 36 of these boards to make a special check-up of their counties and to approximate the proportion between the requests they had received and the possible total number of applicants. These estimates showed that in the 36 counties, the population of which constituted 27.4 per cent of the total number of inhabitants of the state, 3,341 persons solicited a pension. These represented about 57.2 per cent of the total number of eligible persons. In these counties a ratio of 1.9 persons per 1,000 inhabitants applied for a pension. To this percentage the Commission added the proportion of probable additional applicants. This gave a ratio of 3.3 applicants per 1,000 inhabitants. The Commission assumed the same ratio for the entire state. On this basis, it calculated that the total probable number of applicants under the provisions of the Pennsylvania Act would not exceed 28,776. The average amount granted by 29 county boards to over 2,100 applicants having been $248.66 per year, the total expenditures for Pennsylvania were estimated at $7,155,440.16 per year.

The preceding computations were based upon the total number of filed applications. Since the county boards

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rejected 15.8 per cent of the applications, the Commission declared that "there could not possibly be more than 24,230 grants made, involving a total of $6,025,031.89 per year." [1] As the Act provided for the taking over of the pensioner's property by the state, the Commission found that approximately 18.3 per cent of the sums granted would at the death of the pensioner revert back to the state. The actual cost, therefore, would not exceed $5,000,000, or 57 cents per capita, or 24 cents per $1,000 wealth of the state. For this sum, the state would be able to take care of more than three times the number of people supported in almshouses, upon which was expended approximately $6,000,000 annually.

Actual Cost of Pension Law in Montana

Montana has been experimenting with an old age pension law since 1923. Under this law pensions may be granted to all United States citizens 70 years of age after 15 years residence in the state. The pensioners are paid by the counties. The maximum grant is $25 per month provided the pensioner's income is less than $300 per year.

In the fall of 1926 there were 448 pensioners in 32 counties, the population of which was 307,784 in 1920. This represents for these three counties, three years after the inauguration of the law, an average of 1.4 pensioners per 1,000 inhabitants on the basis of the 1920 population, and considerably less on the basis of the 1926 population.

[1] Report of the Pennsylvania Old Age Assistance Commission, 1925, p. 172.

At the end of the first full year's operation of the law, on December 31, 1923, a total of 521 pensioners were drawing allowances from 36 counties. During that year 37 counties spent $79,429 on pensions.

During the year which ended December 31, 1925, there was an increase of 62 pensioners. In 1926 the net gain was 25. By June 30, 1927, 584 persons were receiving pensions from 39 counties. The number of pensioners was less than 2 per one thousand of the total population after three and a half years' operation of the law.

During the calendar year 1927 a total of $112, 674 was spent in this state. Assuming the average number of pensioners at 589, it means an annual average of $192.93, or $3.71 per week on each allowance. Each citizen of these counties thus disbursed the extravagant sum of 28 cents per year, or a little over two cents a month on the entire pension system. [1]

The official report of the United States Department of Labor, the Cost of American Almshouses, published in 1925 showed that in the 22 Montana almshouses studied there was a property investment of $1,921.21 for each of the 270 inmates. The total annual overhead expenses alone amounted to $140,109. The annual cost per inmate was $518.91, or close to three times the sum spent on the support of a pensioner in his own home.

[1] Information from Hearing on Old Age Pensions before Sub-committee of the Committee on Pensions, United States Senate, pp. 144-148.

Actual Cost of Pension Law in Wisconsin

The four Wisconsin counties which have been operating under the 1925 Old Age Pension Act show similar results. During the year 1927, pensions were paid to 295 persons. The pensioners constituted about 2 per 1,000 inhabitants. Although the maximum allowance was $1 per day, the average pension granted amounted to $19.20 a month or $230.40 yearly.[1] The annual cost of maintaining an almshouse inmate in Wisconsin averaged $290.46.

The following statement, regarding the comparative annual per capita cost of pensions and almshouses, is interesting.[2]

	Almshouse	Pension
Colorado	$228.40	$120.00
Kentucky	216.40	240.00
Maryland	269.49	...
Montana	518.91	199.08
Nevada	865.10	180.00
Wisconsin	290.46	230.40

The above figures show that as regards the actual per capita expenditure for these two purposes, in only one state does the annual pension per person exceed the amount spent per year to maintain a person in a county almshouse.

The Cost of a Contributory System of Old Age Insurance

The 1925 to 1927 Pennsylvania Commission on Old Age Pensions was requested by the State Legislature to report on the "advisability and practicability of a contributory system as against the straight pension idea."

[1] Old Age Pensions in Wisconsin, Compiled by the State Board of Control, 1928, pp. 5-7.

[2] Bureau of Labor Statistics, Bulletin No. 489, p. 76.

For practical purposes the commission suggested that under its contemplated plan the contributions would begin not earlier than the age of 18, and end at age 65 when the pension would commence. Age 18 was selected because for the great majority of wage-earners it marks full entrance into industry. Age 65 was chosen because (1) all studies of the aged indicate that most wage-earners cannot expect to stay much longer in their regular employment after reaching this age; (2) because, most national or industrial pension systems generally recognize this age as the proper retirement period; and (3) because this commission felt if the worker contributes to his pension it is neither practical nor just to postpone his retirement till 70.

According to the actuary's computations, in order to build up, on strict insurance actuarial principles, a fund which would pay a weekly pension of $7 for life at age 65, a male employee would have to pay a premium of 28 cents per week if he begins contributing at age 18. If he commences to contribute at age 20, the weekly premium will be 31 cents; at 30, 54 cents; at 50, $2.38, etc. For a monthly pension of $40, the weekly rates would be 37 cents if begun at 18; 41 cents at 20; 72 cents at 30; $3.13 at 50, etc. Women would have to pay somewhat higher premiums because of their higher expectancy of life.[1]

The suggested plan was that the state and employers come to the assistance of those who are already above a certain

[1] Report of Pennsylvania Commission on Old Age Pensions, 1927, pp. 91-92.

age and who cannot from his own resources make sufficient contributions. This is the one followed in practically every country which has established a scientific plan of old age insurance.

The State's Contribution

All men and women who, at the date of the inauguration of the system, are 32 years of age and younger, would accumulate, through their own and their employer's contributions sufficient funds for their annuities at age 65 without any outside aid. For a pension of $365 a year a male worker and his employer would each contribute about 35 cents per week, while for an annuity of $480 the weekly contribution would amount to about 45 cents. Persons 33 years and over at the time of the adoption of the law could not be expected themselves to contribute the full amounts of their premiums; some other source, preferably the state, should make up the deficits. Under such a plan the state would bear the heaviest burden during the first year of the adoption of the plan when the retired pensioners would have made no contributions whatever. During the second year's operation of the system, the state's burden would be diminished by one year's contributions; during the third year the deficit would be lessened by two year's contributions, and so on. The state's share would thus be heaviest at the beginning and would gradually diminish until all those who had entered the plan at 33 years of age have passed the period of their life expectancy which is about 12 years at age 65. [1]

[1] Ibid. pp. 93-95.

Contributions Through a Poll Tax

The Commission was convinced that the principle of direct contributions for old age pensions should in some way be embodied in the future state program of old age annuities. It occurred to them that the best line to be followed might be some system of a monthly or quarterly poll tax, levied on every wage-earner engaged in gainful occupation in Pennsylvania. This could be paid by the employer who would be allowed to deduct a part, or half of the tax from the wages of his employees.[1]

Massachusetts Commission Suggests Poll Tax

The majority of the 1923 to 1925 Massachusetts Commission on Pensions which recommended the adoption of a straight pension plan suggested that a new poll tax of $2 a year be levied upon all men and women. In 1931, an extra head tax of $1 was levied on all men in Massachusetts, but it is said that for 1932 this falls short of meeting the need by $1,000,000.[2]

SUMMARY

Pennsylvania conditions being in the main representative of most other states, the actuarial calculations for that Commonwealth may be applied as a measuring stick for other states or for the country as a whole.

[1] Ibid., pp. 97-98.

[2] Boston Globe, March 7th, 1932.

CHAPTER XII

THE MOVEMENT TOWARDS OLD AGE SECURITY IN THE UNITED STATES

Government insurance or pensions for the needy aged citizens aside from military and civil pensions were until recently entirely unknown in this country. This is not surprising in view of the comparatively recent developments of our industries, our wealth, and our ample supply of free and fertile land. As long as our population remained largely rural and agriculture was the main occupation, there was no serious problem of old age dependency. But the expansion of our industries, the migration from rural into urban centers, the disappearance of free land, and the shortened working period have made old age dependency no longer a question purely of good and thrifty habits but rather one depending mainly upon vast social and economic sources which lie beyond the control of the individual. Legislation has been urged not only in almost all the states in the Union, but for many years bills seeking to establish an old age pension system have been proposed in the United States Congress.

The Movement in the Various States

While the old age pension bills in the Federal Congress have so far not met with much success, the various states have made considerable progress since the subject became a public issue in this country. The first active step in this connection seems to have been the appointment of a commission by Massachusetts

in 1907 to investigate and report on the subject. No action resulted from that report.

According to the report of the Bureau of Labor Statistics on the Care of the Aged in the United States, in 1914 Arizona made an attempt to provide a system of old age pensions. The Act was so loosely worded that before it could come into effect it was pronounced unconstitutional on the grounds of its vagueness. Alaska followed suit with a law passed in 1915, providing a pension of $12.50 per month to those aged 65 and upward who met certain requirements as to residence, need and character. This law has been amended several times, but is still in operation.

The effects of the war renewed interest in the idea of provision for the aged, and within the last decade a number of State Commissions have been appointed and in some cases action has followed their reports. In 1923 Nevada, Montana, and Pennsylvania enacted old age pension laws. In Ohio in the same year the question of establishing an old age pension system was submitted to a referendum vote, and was decided adversely by a vote of almost two to one. In 1924 the Pennsylvania Law was declared unconstitutional, the decision being based largely on a clause in the constitution which prohibits the legislature from making appropriations for charitable, benevolent and educational purposes.

In 1925 in Nevada and Montana bills were introduced repealing the old age pension laws, and in Nevada the repeal was accomplished. A number of state commissions brought in

favorable reports, and by the middle of the year bills were pending in Michigan, Illinois, Minnesota, Ohio, Maine, New Jersey and Indiana. In Texas and Kansas bills were reported favorably, but failed to pass either house of the legislature. In New Jersey and Indiana, they passed the lower house, but were not acted upon by the upper chamber. In Colorado, Minnestoa and Utah commissions were appointed to study the subject. In Pennsylvania the legislature created a new commission to study the question further, and passed a resolution providing for a constitutional amendment to permit appropriations for old age pensions. In Nevada a new law was enacted, differing in some respects from the former one. Wisconsin passed an old age pension law, which was signed by the governor, and California passed one which was vetoed.

In January, 1926, the Legislature of Washington passed an old age pension act, but this was vetoed by the governor. Early in 1926 the Virginia State Commission brought in a favorable report recommending the adoption of an old age pension system, and a bill to that effect was introduced into the Virginia Legislature. In Massachusetts a commission on the subject handed in a divided report. In the spring of 1926 the Legislature of Kentucky passed an old age pension law which became effective June 24th of that year; Maryland and Colorado each passed one in 1927, and a year later a law was passed in Massachusetts. This Massachusetts law, which can hardly be called an old age pension law but might more accurately be called a "public bequest law", was approved June 12, 1928.

A joint legislative committee was appointed in New York in 1926 to make a survey and report upon the condition of the aged poor.

Thus, the close of 1928 found old age pension laws in effect in six states (Colorado, Kentucky, Maryland, Montana, Nevada and Wisconsin) and Alaska. In 1929, California, Minnesota, Utah and Wyoming were added; New York and Massachusetts followed in 1930, and the addition in 1931 of Delaware, Idaho, New Hampshire, New Jersey and West Virginia brought the number of states having old age pension laws up to 17.[1]

Provisions of Pension Laws

Alaska

The first old age law to go into actual operation was that of Alaska, in 1915, which authorized the payment of cash allowances to aged persons who would otherwise have been eligible to apply for admission to the Alaska Pioneers' Home, a home for indigents. As amended to date, the Alaskan law provides cash assistance for men over age 65 (up to a maximum of $25 a month) and for women over 60 (up to a maximum of $45 per month), who have been citizens and lived in Alaska for at least 15 years. The system is financed entirely by the Territory and is supervised by the Board of Trustees of the Alaska Pioneers' Home.[2]

California

In California an Act was passed to provide for the

[1] Report of New York Commission on Old Age Security, 1930, pp. 220-222.

[2] I. M. Rubinow, The Care of the Aged, p. 114.

protection, welfare and assistance of aged persons in need and resident in the state of California. It was approved May 28, 1929, to take effect August 14, 1929. Any person 70 years of age or over who has been a citizen of the United States for 15 years and has resided in the State for 15 years, and in the county or city for one year, who has no children able to support him, and who has not deserted his family within the past 15 years is entitled to aid. No pension can be paid to a person whose property exceeds $3,000, nor may the pension exceed the amount which added to the other income will equal $1 per day.

This law creates a State Division of State aid to the aged, to supervise the measures taken by the counties under the law, and provides that one-half of the cost of the system shall be borne by the State.[1]

Colorado

The Colorado act, approved and in effect March 19, 1927, provides for a county system from which any adopting county may withdraw after one year's trial. The administration of the act is in the hands of the board of commissioners of the county. Pensions under the act may not exceed an amount which, when added to the other income, will total $1 per day, and may be granted to persons 70 years of age or over who have been citizens of the United States for 15 years and have resided in the State and county 15 years. No pension will be granted a person who is an inmate of an asylum, prison, etc., who without just cause has deserted his wife (husband) and children,

[1] Bureau of Labor Statistics, Bulletin No. 489, p. 73.

who has children able to support him, or who has property in excess of $3,000.

An amendment to the Colorado law which became effective January 1st, 1932, makes it mandatory upon all counties to operate under the law.[1]

Delaware

The new Delaware Act went into effect July 1st, 1931. Delaware alone has established a stade-wide system of old age relief financed entirely by the state, and is the only state which does not require United States citizenship as a qualifying clause. According to the act, the pensionable age is set at 65 to a person residing in the state for five years. A maximum of $25 per month is allowed, with the additional stipulation that the assistance plus the recipient's income shall not exceed $300 a year. Further qualifications with reference to character and property holdings are embodied with minor variations as in most of the laws.[2]

Idaho

An old age pension law went into effect in this state on May 5th, 1931. The requirements of the act are practically the same as those of Delaware. The pensionable age is set at 65 for a person residing in the state for 10 years, and the maximum pension is $25 per month. A short period of residence in the county is required. The law is state-wide, mandatory and provides for adequate administration by county commissioners.[3]

[1] I. M. Rubinow, Care of the Aged, pp. 119-121.

[2] Old Age Security Herald, June, 1931.

[3] Ibid.

Kentucky

The Kentucky Act, approved March 25, 1926, provides that in any county which accepts the provisions of the act, an old age pension may be granted to persons 70 years or over who have been American citizens for at least 15 years and residents of the county for at least 10 years. No person may receive a pension who has an income of more than $400 per year or who possesses property in excess of $2500, who is a professional beggar, who is an inmate of a public charitable institution, who has children or relatives responsible for his support.

The amount of pension is determined by the county judge, but may not exceed $250 per year.[1]

Maryland

The old age pension act of Maryland, approved April 26, 1927, effective June 1, 1927, like most of the other states, provides for a county system, which may be abandoned after one year's trial if the county desires. To be eligible for a pension, the applicant must be 65 years of age or over, have been a citizen of the United States for 15 years and a resident of the county for 15 years. The amount of the pension plus the income from all other sources may not exceed $1 per day.[2]

Massachusetts

The Massachusetts law was approved May 28, 1930, and became operative July 1st, 1931. This law differs in principle

[1] Bureau of Labor Statistics, Bulletin No. 489, p. 71.

[2] Ibid., p. 72.

from those of other states, in that it is not a separate so-called pension law, but an extension of the welfare law already in effect. Aid is given to citizens aged 70 or over who have resided in the Commonwealth not less than 20 years. No specific amount is stated, but it is determined entirely upon the merits and needs of each individual case, after investigation by local public welfare authorities. The system is statewide. The town rendering the assistance shall be reimbursed by the Commonwealth for one-third of the amount of the assistance given, or if the person so aided has no settlement in the Commonwealth, for the total amount.[1]

Minnesota

An act relating to old age pensions was approved and in effect March 1, 1929. This law formerly made the adoption of its provisions optional with the county, but the 1931 amendment makes it mandatory upon all counties to grant relief to the aged. To obtain a pension the applicant must have attained 70 years of age, have been a resident of the state and county for 15 years. The property qualification is set at $3,000 and the maximum pension at $1 per day.

The system is administered by the county judge.[2]

Montana

The act was approved and in effect March 25, 1923. Under the law each county may establish an old age pension board or commission which may receive applications from persons

[1] Old Age Dependency, Metropolitan Life Insurance Company, Monograph two, 1931.

[2] Bureau of Labor Statistics, Bulletin No. 489, p. 72.

who are 70 years of age and have been citizens of the United States and residents of the State of Montana for at least 15 years. The amount of benefits may not exceed $25 per month, and may be less than that according to the conditions in the case. Further qualifications with reference to character and property holdings are embodied in the law as in those of most other states.[1]

Nevada

An act providing for old age pensions in the State of Nevada was approved March 18, 1925. It specifically states that the pension is established "in recognition of the just claims of the inhabitants mentioned upon the aid of society, without thereby annexing the stigma of pauperism by legal definition."

Applicants must be at least 65, and must have been residents of this state for ten years and a citizen of the United States for 15 years.

Practically the same provisions are made with respect to exclusion from benefits as in the Montana law.

The pension must not exceed an amount which added to the applicant's other income from all sources, will bring the total income to $1 per day. Funds are raised by a special tax of two and one-half mills on each one hundred dollars of taxable property in each county.[2]

New Hampshire

New Hampshire enacted legislation for the protection of the indigent aged on May 6, 1931 and Governor John G. Winant

[1] Ibid., p. 70.

[2] Ibid.

[illegible]

signed the measure on May 7, 1931. The law provides for relief not to exceed $7.50 a week to be extended by counties, towns and cities. The requirements call for 15 years' citizenship, and state and county residents of a similar period, and a minimum age of 70 years. The law is administered by the county commissioners.[1]

New Jersey

The New Jersey Legislature on April 21, 1931, passed an old age pension bill which was signed by Governor Morgan F. Larson on April 24, 1931. Officially, the act will go into effect on July 1st, 1932.

The act provides for assistance by the state and counties to citizens 70 years of age and over who have resided in the state for 15 years and in the county for one year. The amount of pension is to be determined by special county welfare boards, who cannot, however, grant more than $1 per day. The system is stadewide and the state supplies 75 per cent of the funds, the balance being furnished by the counties.[2]

New York

The New York Public Welfare Law was approved April 10, 1930, in effect May 1, 1930, but relief did not begin until January 1, 1931. Like the Massachusetts law, it is really an extension of the welfare law already in effect. Aid is given a United States citizen who has attained the age of 70, has been a resident of the State for at least 10 years and has been

[1] Old Age Security Herald, June, 1931.

[2] Ibid., May, 1931.

an inhabitant of the public welfare district for at least one year. The nature and amount of relief is determined upon the merits and needs of each case, after investigation by the local public welfare boards. The system is statewide. New York State and its city or county public welfare districts share the cost of old age assistance equally.[1]

Utah

The Old Age Pension Law of the State of Utah was approved March 25, 1929 and in effect May 24, 1929. It makes acceptance of the provisions mandatory upon the counties, sets a maximum age of 65, and a maximum pension of $25 per month. The applicant must have resided in the State for 15 years and in the county for five years. No person is eligible for a pension whose income during the past year exceeded $300.

The law is administered by the county commissioners.[2]

West Virginia

Of the five new laws enacted in 1931, only the West Virginia Statute still contains the optional feature which authorized the individual counties to grant old age assistance, without providing any State subsidy for those counties which elect to do so. The pensionable age is set at 65 to a United States citizen who has resided in the State and county for 10 years. The maximum allowance is set at $1 per day.

The county judges serve as administrative officials.[3]

[1] Old Age Dependency, Metropolitan Life Insurance Company, Monograph two, 1931.

[2] Bureau of Labor Statistics, Bulletin No. 489, p. 73.

[3] Old Age Security Herald, June, 1931.

Wisconsin

The first Old Age Pension Law was approved May 12, 1925 to take effect on publication May 13, 1925. Approved as amended June 14, 1929 to take effect on publication, June 25, 1929. The law throws upon the county the primary responsibility for pensions, but gives the state capital a measure of supervision based upon its contribution of one-third of the amount thus paid.

Applicants must be at least 70 and must have been citizens of the United States and residents of the county in which application is made for 15 years.

Persons excluded from benefits include those enumerated in both the Montana and Nevada laws. The property qualification is set at $3,000.

The amount of pension plus the applicant's income from all other sources may not amount to more than $1 a day.[1]

Wyoming

The Old Age Pension Act of the State of Wyoming was approved February 19, 1929 and in effect June 1, 1930. The statute provides for a system whose adoption is obligatory upon the counties. The applicant must be at least 65 years of age, have been a resident of the State for 15 years and of the county five years, and his total income must not exceed $360 per year. The pension must not exceed $30 per month.

The Act is to be administered by the county Commissioners acting as a pension committee. Funds are to be raised by a tax of one mill on all taxable property.[2]

[1] I. M. Rubinow, Care of the Aged, pp. 138-140.

[2] Ibid., pp. 140-141.

A Long Stride Forward

During the year 1931, the States of Oregon, Maine, Illinois and Connecticut authorized commissions to study the subject and to make reports in 1933. In Illinois, Ohio and Connecticut there were legislative majorities in favor of the bills and only autocratic boss control of the dominating political party prevented the bills from being voted on the floor. Bills also passed one House of the Legislature in Arizona, Michigan, Missouri, Nebraska, Oklahoma and Washington.[1]

The time is not far off when the United States like all industrial nations will permit its old toilers to retain their self-respect during their sunset days instead of branding them with the stigma of pauperism.

The principal provisions of the Massachusetts and New York laws, together with the typical provisions found in various combinations in most of the other State old age assistance laws is shown on the chart on the following page.[2]

[1] Old Age Security Herald, June, 1931.

[2] Old Age Dependency, Metropolitan Life Insurance Company, Monograph two, 1931.

CHART ON

UNITED STATES

OLD AGE ASSISTANCE LAWS

	TYPICAL BILL (An outline of the principal provisions found, with minor variations, in most of the State laws other than Massachusetts and New York.)	NEW YORK April 10, 1930 Effective Jan. 1, 1931	MASSACHUSETTS May 28, 1930 Effective July 1, 1931
TYPE OF SYSTEM	County option, without State subsidy, in most cases. Designated as old age pension, but really poor relief.	Statewide relief, subsidized by State. An extension of existing welfare laws.	Statewide relief, subsidized by State. An extension of existing welfare laws.
CONDITIONS FOR RECEIPT OF ASSISTANCE	1. Age 65 or 70. 2. Fifteen years' citizenship. 3. Residence in State for last fifteen years. 4. No one responsible for individual's support. 5. Property valued not in excess of $3,000. 6. Disqualifications: a. Receipt of relief, except medical, in any public institution. b. Confinement in any public reform or correctional institution. c. Imprisonment for felony in last ten years. d. Family desertion. e. Professional vagrancy or begging.	1. Age 70 or over. 2. Citizenship. 3. Residence in State for ten years. 4. Residence in city or county public welfare district for one year. 5. No other means of full or partial support. 6. Disqualified if an inmate of any public or private institution of a custodial, correctional or curative nature.	1. Age 70 or over. 2. Citizenship. 3. Residence in State for twenty years. 4. "Deserving citizen."

OVER-

CHART - (Continued)

NATURE AND AMOUNT OF ASSISTANCE	Cash payment, varying with individual's needs. Payment plus individual's other income cannot exceed $1 per day. Funeral expenses up to $100 are paid, if necessary.	Nature and amount determined by public welfare official, according to needs of each case. Cash payments made if practicable. Assistance to be given in person's own home, if possible.	"Adequate assistance" which shall be "sufficient to provide suitable and dignified care." Assistance to be given in person's own home, if possible.
SOURCE OF FUNDS	County pays entire cost, in most cases. In others, State pays up to one-half.	State pays half of cost. City or county public welfare district pays other half.	State pays third of cost, and towns pay other two-thirds. State pays all, if recipient has no settlement in the State.
ADMINISTRATION	Administered locally by county authorities.	Administered locally by public welfare official of public welfare district. Appeal may be made to State Department of Social Welfare, which exercises supervisory control.	Administered locally by Bureau of Old Age Assistance of each board of public welfare. Super-advisory control exercised by State Department of Public Welfare.

CHAPTER XIII

ANSWERS TO AND OBJECTIONS AGAINST STATE OLD AGE PENSIONS

I. The Tendency of Old Age Pensions would be to destroy thrift.

State and Federal investigations have proved that the bulk of the workers today rarely earn enough to maintain the standard of living required in the communities in which they live. Provision for old age is precarious because while this period is distant and uncertain, the immediate demands are so canstant and pressing. Even in the case of the most thrifty wage-earners, a serious illness, an accident or a seasonal shutdown may only too readily eat up the savings of a lifetime.

How can a worker save and also spend, as he is urged to do through a thousand different devices, in order to keep up production? Spending is paramount in this era of mass production. The masses of people must purchase the huge flow of goods if the machine is not to slow down. Businessmen generally approve of high pressure salesmanship, advertising and the installment plan, because it helps to keep our prosperity. But how is this going to help saving for old age?

Furthermore, it is desirable in all sane men who can save at all, to save for his own home, to save to educate his children, to save to secure a nest egg for a rainy day.

There is left even an incentive to save for a greater independence and comfort than is promised in an Old Age Pension, which only supplies the necessities of life.

The Old Age Pension is simply a protection against the undeserved hardships which come upon the worker when he has done his best and failed to lay aside enough to take care of him when he is discharged as "too old".

It makes no provision for loafers and wasters. In fact, these are specifically disbarred from participation in the benefits of the Old Age Pension law.

II. Old Age Pensions would tend to destroy family responsibility.

Statistics show that the majority of aged dependents have no families.

It is both the legal and moral obligation of children to care for their parents under the pension system just as it is under the poorhouse system. In either case, the children are willing, if able, in the majority of instances, to care for their parents. In some states, the children, whether willing or not, if financially able, are compelled to furnish such support. Most of the Old Age Pension bills of the various states include a provision prohibiting the granting of a pension to aged persons who have children able to support them.

III. Old Age Pensions would cost more than the poorhouse system does.

Since even the poorest of all nations have been operating under old age pension systems for many years and have somehow managed to live and prosper - as well, if not better than before they had adopted such legislation - there would seem no reason to believe that we, the richest of all nations, are unable to afford this elementary necessity. With our productivity the highest, our resources the most abundant, it hardly befits us to claim poverty in the face of what all other nations have been doing for many years.

But there is ample proof that it is considerably cheaper to support an aged person in his own house than in an institution requiring hired servants, caretakers, etc. The Pennsylvania Old Age Assistance Commission, after a thorough study of the subject, estimated that the actual cost of a pension plan in that State would not exceed 57 cents per capita or 24 cents per $1000. wealth in the State.

Under the poorhouse system, so the United States Bureau of Statistics determined after a nation-wide survey, each inmate cost the State an average of $334.64 a year. What has the pension system cost Montana? Here are the figures as compiled by the State auditor: [1]

	Average Cost Per Person
1923 (9 months only)	87.00
1924	151.74
1925	172.16
1926	179.56
1927	166.52
1928	165.73

In the face of these statistics from a State where the law is no longer an experiment - where it has been in

[1] Old Age Pension Commission of the Fraternal Order of Eagles, Frank E. Hering, 1930.

[illegible]

effect more than seven years - who can say that the old age system is extravagent?

We are paying for old age poverty now. Old age allowances by the state or national government, would not represent an increase in the total cost - they merely mean a more economic and sensible method of dealing with the problem.

IV. Old Age Pension would invite to states men and women who have spent their productive years in other states.

Ample safeguards have been erected in every law passed thus far. By requiring that an applicant must have been an industrious, sober, and honest citizen of the State for at least 15 years prior to application for a pension, the State effectively blocks unwarranted immigration.

V. Old Age Pensions would only be another way of pauperizing old age.

The principle of pensions - defined in Webster's Dictionary as "a regular allowance paid in consideration of past service" - is well established in the United States. For years we have paid pensions to soldiers and sailors in recognition of their contribution to the country. Government employees are pensioned after they have worked for a certain number of years. Teachers, judges, firemen and policemen are retired with pay. No one looks upon these persons as paupers. Why? Because we recognize that they have given long years of faithful service in the city, the State, and the Nation.

Such service is exactly what millions upon millions of other men and women give, though their names are never entered on any municipal, State or Federal pay roll. Who cay say that the State is indebted to its militia, its school teachers, its judges, but not to its pioneers, without whom there would be no State; not to its workers, without whom the State's natural resources would remain undeveloped?

Old age pensions are not charity doles, grudgingly granted, but the honorable reward presented by the State to those who have given years of service to it. Says Franklin D. Roosevelt, Governor of New York:[1]

"For those who may no longer earn their daily bread because of some swift accident, or slow, incurable disease, we have provided, and we are providing hospitals, sanitariums, and institutions where, so far as possible, they may be restored to useful life, or, if that is not possible, receive care and comforts. But how about those whose bodies are not stricken by sudden disaster, who work hard and faithfully through long years, until Time lays his heavy hand upon them? Is there no obligation on the part of the State to look after these? It is through no fault of theirs that they can not continue to add to our prosperty or to labor for the good of the whole State. And yet, what answer have we made, except the creation of that gloomy institution that haunts, like some horrible nightmare, the thought of every aged worker -- the poorhouse.

"I do not believe it necessary, nor do those who have studied the matter long and thoughtfully, believe that it is an economic necessity that we herd our aged workers, dependent on their toil for their daily bread, in institutions of this character. It is not even an economic solution of the problem; it is the most wasteful and extravagant system that we could possibly devise; it belongs to that past barbaric age when we chained our insane to the walls of our madhouses. By a proper system of old-age pensions this dark blot on our modern civilization can be eliminated."

[1] Old Age Pensions, Hearing before Subcommittee of the Committee on Pensions, U. S. Senate, 1931, p.152.

VI. Old Age Pensions would create another set of dependents and it would also be necessary to maintain the present poorhouses.

Under old age pensions, properly administered, there would be no poorhouses as now known. Approximately 63 per cent of the present inmates would be cared for outside of institutions.[1] The remaining 37 per cent - composed of idiots, epeleptics, feeble-minded, incompetents, deaf, dumb, blind, crippled - would be looked after in institutions designed for their special care.

Old Age Pensions come as a deliverer to lead the sick and feeble-minded into the proper institutions and to guide the old folk into wholesome surroundings, freed from the horrors of the poorhouse.[2]

"The end of Government," says Frank G. Allen, Governor of Massachusetts, "is the achievement of satisfaction and happiness by our people. No group can be happy in the presence of misery or suffering or poverty. It is with a great deal of satisfaction that we to-day, observe the passing of the so-called almshouse, and it is apparent that these institutions are gradually becoming a thing of the past. * * * It should be possible to aid these people (the aged poor who are sound of body and mind) in private homes, preferably their own, thus avoiding the necessity and the stigma of removing them to an almshouse. For those who require hospital care and can not be adequately cared for in homes, a separate unit at one of our State institutions should be provided, in which this class of cases can be hospitalized properly."

VII. Industry should, through a self-sustaining plan, provide for its worn-out workers.

Industrial pensions are utterly inadequate as a substitute for state-paid old age pensions. Industrial pen-

[1] Lamar T. Beman, Old Age Pensions, p. 242.

[2] Old Age Pensions, Hearing before Subcommittee of the Committee on Pensions, U. S. Senate, p. 153.

sions are uncertain. Firms discharge faithful employees upon slight pretext a few months or a year before they become eligible to a pension.

Even if a firm intends to keep faith with its workers, what fund will care for the employees of firms that go bankrupt?

What assurance has employees that, when they have qualified for the pension, the company even though still in business will be able to pay? Earnings of corporations fluctuate so sharply from year to year, industrial conditions are so uncertain, money tightens so quickly that a prosperous going concern of today may be against the wall next year and unable to pay its pension obligations. Already certain large corporations have been compelled to discontinue their pension system.

"Current pension plans in industry affect so very small a proportion of the total needy aged as to be practically negligible in approaching the problem, while a majority of these plans have so little financial backing as to offer no adequate security to the present active employee when old age shall finally occur."[1]

VIII. Old Age Pensions foster Government paternalism.

Society has long acknowledged its duty toward its unfortunates by providing free hospital care for the sick who have no money, schools for the needy who are blind, deaf, dumb,

[1] Journal of American Insurance, February 1927.

or feeble-minded, county aid for those in temporary distress, and almshouses for the aged poor. Old age pensions are merely a more just, humane, and economic way to do what we have blunderingly tried to accomplish with the antiquated poorhouse.

IX. Old Age Pensions create a political machine which will be able to control elections.

Pensions have been and can be distributed with less machinery and at less expense to the State than is represented in the expenses of our numerous poorhouse staffs. In Montana, county commissioners investigate applications and disburse pensions. In Wisconsin the county judges have assumed this work. In California the county board of supervisors, and in Wyoming and Utah the county commissioners, investigate cases and pay pensions.

"In the countries where straight pension plans are in practice, even their critics have failed to charge that party politics have deteriorated or been considerably affected by the pension plans."[1]

X. Old Age Pensions violate the American tradition of individual responsibility.

Montana proves that old age pensions, not poorhouses, foster individual responsibility. In Montana, the average pensioners are so eager to contribute to their support that they have been able, with what they can earn, to get along on half the amount allowed by the old age pension law.

[1] The Challenge of the Aged, Abraham Epstein, p.232.

Shut in a poorhouse, these perons have no chance to assume any of the responsibility of their own care.

XI. Old Age Pensions strike a blow at Americanism.

The principle of Old Age Pensions is distinctively American. Under the guarantees of our Constitution every individual is endowed with the right to life, liberty and the pursuit of happiness, and all recognize that it is the duty of government to preserve these rights. Certainly granting him a modest pension in his own home is better Americanism than confining him in the poorhouse.

CHAPTER XIV

SUMMARY

That the problem of security in old age is becoming increasingly difficult for everyone of us is now being recognized everywhere. The facts underlying this insecurity are generally well known today. As competitors in the modern industrial system, the aged are faced with innumerable obstacles and with few opportunities to overcome them. Standardized production has greatly eliminated the need for skill and experience - the sole assets of the older employee under the handicraft system. The swifter pace required of the modern workman also helps to wear him out at an earlier period. The introduction of new inventions and more specialized machinery generally involves the replacing of men. Since the older workers find it harder to adjust themselves to new processes of work, they are just "let go". It has become difficult to find a job after the prime of life since many industries limit the hiring age to forty-five and even thirty-five in the case of unskilled workers.

Despite these new difficulties which have arisen as a result of our industrialization, our philosophy is still that of individualism. The doctrine that it is the duty of each and every one of us to make individual provision against old age still dominates us even today.

Before the fatal Thursday in October, 1929, we justified our social legislative backwardness by a whole chain

[illegible]

of circumstantial evidence by which we proved that somehow we, of all the nations of the world, were different and that no social action was necessary. We pointed to our high wage rates and insisted that the American worker was not only able to meet his constantly rising and pressing standard of life, raise and educate a family, provide sufficient funds in times of unemployment, sickness, accident, and other emergencies, but also could lay aside a sufficient sum for his old age.

At the same time, we carried on the most elaborate and extensive campaigns inducing American workers to buy cars, radios, vacuum cleaners and a thousand other necessary and unnecessary articles, "without which life was simply worthless".

We added the small savings deposits of the workers to the large time deposits of business men, divided the result by the all-accommodating statistical average, and proved that every one of us had at least $200. in savings deposits. We also kept a careful record of every new labor bank, but took no notice when one by one these banks went bankrupt.

Since October 1929, our faith in this paradise has been somewhat shaken. All of a sudden we have discovered that our troubles lie in the lack of purchasing power. At this very time, we are carrying on high pressure campaigns urging people to "buy now". We are actually on the verge of making savings a criminal offence in the United States today. Yet you will find many among the very people who are

the staunchest advocates of "buy now", fighting against governmental action in behalf of the aged, because "it is the duty of every good citizen to lay by, from his own earnings, sufficient savings against his old age". For the Government to establish an old age pension, these thinkers contend, would discourage the habit of thrift.

CONCLUSION

Government Provision Necessary

The almshouse is not a satisfactory method of providing relief for all classes of needy. It was first erected to care for the homeless and unemployed, and not primarily for the sick and the aged who inhabit them today. Investigations have shown that in some of the almshouses there is no segregation of the sick from the able-bodied, or the mentally alert from the feeble-minded or insane. Institutions are necessary for certain classes of the poor and for certain of the aged, especially for the sick, but the city or county home should be the last resort for the care of the aged who are normal mentally and physically. Better care and greater comfort can be provided outside of public institutions in the individual's private home.

Many of the needy aged have maintained themselves usually throughout a lifetime by their own work and savings, and have come to poverty in old age through no fault of their own. What these people want most is to live out their lives

among old associations, with friends, neighbors and the family, with appropriate work to do, and a sense of freedom, self-respect and security.

It seems to me that the best plan is to place the responsibility for the administration and the financial responsibility jointly upon the county or city and the State. A State system would require a large department with scores of investigators travelling all over the State and visiting many families cared for by local welfare officials. Under exclusive county administration, there is the danger that the law may be entirely ignored. Under the joint county and state system, the responsibility for the acceptance of applications, original investigation of claims, and the grant of allowances shall be placed upon the county commissioner of public welfare; the State shall pass on all allowances, formulate rules and regulations, make investigations, suggest requirements, and approve claims for county reimbursement; and any individual may appeal from the local official to the State Department when the local determination is not satisfactory.

As to the State and county bearing the financial responsibility, there seems to be two advantages. Expenditures by the county or city are closely scrutinized by the payers. This is an assurance that the money expended will be used for the purposes intended and for no other purpose. When the State has supervisory control, it will make for uniformity of administration, and further, with the State

obligated for part of the cost, it will tend to liberalize the viewpoint of county administrators.

A contributory plan, at the present time, can affect only the younger men and women. It does not help to solve the needs of thousands of destitute old men and women who are today suffering from dire want and who must be aided promptly. These old people have nothing to contribute, and even if they could, their contributions would be insignificant. A state system of self-respecting allowances is the only way to meet their needs. A system of contributed insurance operated by the government is worthy of consideration as a future program to provide for the younger men.

Whether the business leaders will come to their senses or not, the Government must and will step in and provide for indigent old age on a social basis in order to meet the social forces which lie outside of the individual's control. Only by collective action can the emergencies which have arisen in our social and economic life - sickness, invalidity, unemployment, and old age - be met.

By making adequate social provisions for the old men and women who now crowd our bread lines and employment offices, looking for work which they can never find, we shall not only fulfill the obligation long overdue them, but also help considerably to reduce our present problem of unemployment.

In the words of Mr. Bardwell when the Massachusetts' law went into effect:[1]

[1] Old Age Assistance; The Massachusetts Plan, Richard K. Conant, p. 6.

"Because of it, aged people can be placed so that the element of happiness enters into their everyday life. Life, with a reasonable amount of consideration as to how they want to live it; to preserve their independence of spirit -- to still be somebody; to live where they will be in daily contact with others who will show them little kindly attentions, or in an environment where there are little children; where the world treats them with the courtesy with which they treat the world, or where they can discuss their past with attentive listeners; near the church of their choice and enjoying the peace that should come with the close of a life of struggle."

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